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EDITORIAL

As We See It

It has been evident from the first that the current Senate inquiry into the financial position of the country is being used by the Democratic contingent in an attempt to discredit the Administration. Equally clear is it that at least some of the political schemers are of the view that their end can be most easily reached by fixing the notion in the minds of the voter that President Eisenhower and his advisers and assistants are responsible for the higher interest rates that have become the rule during the years since 1952—and by encouraging the popular belief that higher interest rates are helpful to the "bankers," not harmful to the "big" business man, but exceedingly burdensome to the "small" man.

The possible political effectiveness of this bit of political strategy we gladly leave to others better qualified to pass judgment. If successful, though—and indeed even if not successful in the partisan political sense—serious economic results could easily flow from this procedure. It is, accordingly, of first rate importance that the true inwardness of this interest rate matter be widely and accurately understood. And the beginning of wisdom is to realize that any price (whether of money or any other good) arrived at by the interplay of free competitive forces is the "right" price. If one believes that the current price of money is too high for the public good, then one must investigate the forces which have resulted in that price. If fault there be, it is in these forces not in the result of them.

Of course, higher money costs mean higher total costs, and higher costs inevitably place a burden upon business. Furthermore, that burden

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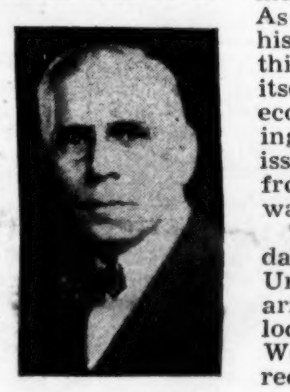
Easy Optimism and Sober Caution

By EDWIN G. NOURSE*

Formerly Chairman President Truman's Council of Economic Advisers

Former government economic chief analyzing the general business prospects and the inflation problem, urges we apply the brakes of disinflation, shaking down overextended positions to a sound basis of stability and growth. Maintains prosperity can be preserved only by checking the wage-price spiral, and that if Big Business and Big Labor can't cooperate, Big Government will sooner or later take over. Advocates large corporations publicize their price and investment policies; and great labor bodies be subject to the anti-trust or pro-competition principle.

Now I always protest when I am discussing the economic future that I have no "hot tips" to bring from Washington, and I am not "making book" on what the Federal Reserve Board index of production will be in November or where the GNP will stand in the fourth quarter. There are too many unknowns in the business equation and too many things that could change quite rapidly through the decisions of the Congress, the actions of companies and unions, and the behavior of consumers in the market or at the savings bank.



Edwin G. Nourse

Three things, however, I will undertake to do. First, I will analyze the broad difference of view between the optimists and the pessimists as to general business prospects. Second, I shall bring this analysis down to the inflation problem. Third, I'll suggest what I think we all should do as the fourth quarter and 1958 reveal

Continued on page 26

*Remarks of Dr. Nourse before the International Apple Association, Cincinnati, Ohio, Aug. 6, 1957.

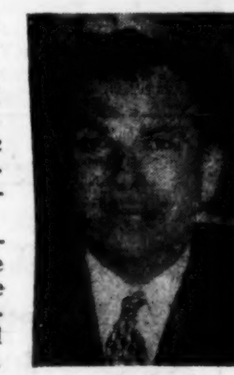
World Economic Situation

By DR. NEIL H. JACOBY*

United States Representative, United Nations Economic and Social Council: Dean, Graduate School of Business Administration, University of California, Los Angeles. Former Member, Council of Economic Advisers

Representing United States at Geneva meeting of United Nations economic unit, Dean Jacoby, in analyzing world economic status and prospects—with emphasis on this country—opines that adequately guaranteed arms-limitation will ease inflationary pressures and stimulate world economies. Exposes inflation as an illusory source for real resources; doubts monetary-credit cost-inflation-curbing can be effective without timely, decisive decisions and other supplemental measures. Contends high employment and stable prices are compatible, though admits we have not wholly succeeded in this; commends our economy's recuperative powers without controls; and sees expansion ahead for us in remainder of 1957.

The several parts of our world become increasingly interdependent. The economic health of each country must be the concern of all countries. As President Eisenhower stated in his second Inaugural Address earlier this year—"No people can live to itself alone." Along what kind of economic path have we been traveling? What are the large economic issues of mutual concern which confront our countries as we look forward into the future?



Neil H. Jacoby

The economic problems which today confront the members of the United Nations are no longer those arising from the destruction and dislocations caused by the Second World War. The transition from reconstructions to new economic growth had, in general, been completed by 1950. Even before that year the surpassing of pre-war standards of production and consumption had

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*An address by Dr. Jacoby at the U. N. Economic and Social Council Meeting, Geneva, July 5, 1957.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Dome Exploration, Ltd. — Henry P. Newell, of Filor, Bullard & Smyth, New York City (Page 2)

Fischer & Porter Company—Charles A. Taggart, President, Charles A. Taggart & Co., Inc., Philadelphia, Pa. (Page 2)

HENRY P. NEWELL
Filor, Bullard & Smyth,
New York City
Member New York Stock Exchange
Member American Stock Exchange

Dome Exploration, Ltd.

Dome Exploration is one the strong independent companies operating within the dynamic oil industry of Western Canada. The company has all the prerequisites for sustained growth. These include large land holdings spread throughout four Provinces, a good financial position, management of proven and recognized ability. The company's two and a half million shares outstanding are listed on the American Stock Exchange, currently selling near 14.


Henry P. Newell

A conservative appraisal of Dome Exploration's net tangible assets reveals solid values behind each share. A close approximation of holdings is as follows:

Proven oil reserves—(at $1 per barrel)	$23,000,000
Acreage—(at $1 per net acre)	2,097,000
Investments—(at about 80% of market value)	8,500,000
Gas reserves—(at 2 cents per mcf)	192,000
Net working capital	4,500,000
Net working capital	$38,289,000

Deducting funded debt ($3,600,000) we arrive at a net tangible asset value of nearly $35 million or approximately $14 for each of the 2,500,000 shares outstanding. Present price of the stock makes no allowance for the growth factor which has been gaining considerable momentum during the past 12 months.

Organized in 1950, Dome's initial efforts were concentrated on the development of proven reserves, increasing operating revenue, and reduction of funded debt. This conservative policy was maintained until 1954. Debt was cut from a peak of $7.7 million to $3.8 million. Operating profit moved up substantially and 18 million barrels of proven reserves were developed in the Redwater Field at the exceedingly low cost of 36 cents per barrel. Dome's growth has been unique among Canadian independents in that it has been generated internally.

With the establishment of a secure foundation, management inaugurated a marked change in policy. More attention was focused on the acquisition of well-located landspreads. In the past year and a half, holdings have been increased by 1,350,000 acres. As a result of an aggressive exploration and drilling campaign, oil reserves have been augmented by 5,000,000 barrels. This expansion program which is just getting underway covers four provinces—Alberta, British Columbia, Manitoba, and Saskatchewan. The company is now less dependent on its acreage in the Redwater Field. While the latter remains as the company's most important single productive asset, it now provides less than half of Dome's crude oil production.

Dome Exploration's investments comprise mainly 2,400,000 shares of Provo Gas Producers, a 10% interest in Western Naco, 8.6% interest in Westspur Pipeline, interests in both the Alberta Natural Gas Trunk gathering line and the Pembina Pipeline. These holdings which were obtained at a cost of $1,617,000 now have an aggregate market value of approximately $10,000,000.

Dome has a management contract with Provo Gas as well as working control of this company. Provo is a very valuable property with a strong growth factor of its own. Net proven and probable gas reserves of Provo amount to 550 billion cubic feet. Reserves of liquified petroleum gases and condensate are estimated at 6,530,000 barrels, and net proven oil reserves are 3,000,000 barrels. A total of 356 billion cubic feet of Provo's gas reserves have been contracted for sale to Trans Canada Pipe Lines. Total revenue from this source over a 20-year period should average $2.5 million per year. Initial deliveries are scheduled to be made during the latter part of 1957.

In addition Provo has a total of 323,000 net acres of oil and gas rights in Alberta and Saskatchewan. Provo and Western Naco, under Dome's direction, have recently made a significant medium gravity oil discovery at Hughenden. This field is currently under development and at present oil reserves well in excess of six million barrels are indicated.

Dome is in the unique and favored position of being able to maintain a substantial professional staff of geologists and engineers at very moderate cost. This is due to its management contracts with Provo and Western Naco. Because of its exceptionally low overhead in virtually all departments, Dome is able to derive a maximum benefit from production revenue.

Because of the vital part management plays in the growth and development of a young oil company, it is important to emphasize Dome Exploration's excellent position in this respect. Mr. J. P. Gallagher, President, joined the Company upon its formation after extensive experience as a geologist and production executive with Standard Oil of New Jersey. Under his direction the Company has greatly increased its oil reserves and land position at low cost. A strong management team has been assembled. Dome's Exploration's directorate is outstanding and includes Henry C. Brunie, President of Empire Trust Co. of New York; John L. Loeb, of Carl M. Loeb, Rhoades & Company and director of Union Oil and Gas Corp. of Louisiana; Bryce R. MacKenzie, director of Rio Tinto of Canada; Charles E. Main of Panhandle Eastern Pipeline; A. Bruce Mathews, President of Excelsior Life Insurance Co.; Clifford Michel, President of Dome Mines; William F. Morton of State Street Investment Co. and Canada General Fund; C. L. Rice, Vice-President Empire Trust (Oil & Gas Division).

Dome Exploration faces the future in the strongest position yet attained. Cash flow and working capital are at an all-time high. The Company has secured the biggest landspread in its history with approximately $5 million available for exploratory drilling or further acquisitions. In addition about 1½ million acres have been farmed out to major companies. A great deal of work is scheduled to be undertaken on these "farm-outs" and at no cost to Dome.

By virtue of its excellent management and physical properties presently under its administration, Dome Exploration should at least continue to grow at the same encouraging rate now being displayed. But with expanding acreage and financial strength, the Company's prospects for sharing in a big discovery are enhanced. This would result in a very rapid growth of assets.

Dome Exploration is not a company to be appraised at this time in terms of potential earnings and dividends. "Write-offs" are large and dividends appear remote. The stock, however, should appeal to those who are willing to assume a moderate risk in order to obtain a wide percentage of capital appreciation.

CHARLES A. TAGGART
President, Charles A. Taggart & Co., Inc., Philadelphia, Pa.

Fischer & Porter Company

For this contribution to "The Security I Like Best" column of the "Commercial and Financial Chronicle," I have picked the stock of a company because of its young and aggressive management and its modern products, rather than the stock's current yield. Dividends are being paid, but in the five company fiscal years in which they have been paid, only 23% of earnings was paid out while the other 77% was plowed back into the business. During the same period, the stockholders' equity had increased about 159%.


Charles A. Taggart

The stock is that of Fischer & Porter Company with a modern plant at Hatboro, Pa., and subsidiaries or affiliates in Canada, England, West Germany, France, Netherlands, Australia and Mexico and a license agreement with a manufacturer in Japan. In addition to its manufacturing subsidiaries and affiliates, Fischer & Porter is represented by offices in over 30 countries. Each of these offices is staffed by factory-trained engineering and service personnel. For service in the U. S., there are 39 sales and service centers in the country with leased warehouses in Chicago, Houston and Los Angeles.

Starting 20 years ago, Fischer & Porter has, in the last 10 years, grown into one of the leading manufacturers of (1) measuring, recording and control instruments for use in the chemical, petroleum, aircraft, paper, and food industries. (2) Chlorinating instruments and equipment for: treating of waste in the chemical, paper, metal plating and other industries, water and sewage systems for municipalities and water treatment for swimming pools. (3) Complete electronically-controlled data reduction, logging, and computing systems which are at the heart of the current technological revolution in the field of automation. (4) Precision glass equipment such as separatory funnels, glass pipe and related fittings

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The Present Discrimination In Anti-Inflationary Policy

By JOHN KENNETH GALBRAITH*
Professor of Economics, Harvard University
Author—The Great Crash, 1929

Monetary policy's ineffectiveness in restraining large firms in administered price industries is contrasted by Professor Galbraith with its discriminatory "impact on the market-controlled or most 'purely' competitive sector of the economy." To remedy the differential rate of growth in business assets and the steady increase in prices, and to permit monetary policy to do its job of restraining investment, the author makes these suggestions to reinforce an across the board monetary policy: (1) rational procedure on tax write offs so that monetary policy is not vitiated by accelerated amortization; (2) prevent large firms from taking advantage of their superior borrowing position; (3) committee hearings before and not after price-wage increases take place to allow public reaction to set in; and (4) standstill period on price increases after a collective bargaining agreement is signed.

I

I recently published[1] some work on the effect of current monetary and other economic policy on different industries, particularly those characterized by differing extent of concentration and differing degrees of market control. Since some parts of the argument, as originally offered, are somewhat on the technical side, it has occurred to me that a brief, informal summary might be welcome. This is the principal purpose of this statement, although in the concluding portions I have gone on to some of the implications of the analysis for current policy.


John K. Galbraith

II

The last several years have been marked by persistent inflationary tendencies. Until about a year ago these were masked by falling farm prices and to a lesser degree by stability in certain other consumer products. The inflation of recent years has been paralleled by the more or less equally persistent hope that it might be controlled by monetary measures—by higher interest rates and a tighter supply of loanable funds. It has been assumed, generally speaking, that this policy will operate uniformly across the economy. Borrowing will be checked more or less equally in all industries. Within the individual industry, to be sure, the "least credit-worthy borrower" will be the first to lose his line of credit. But he is assumed to be the natural child of misfortune. Farmers, residential builders, independent dealers, and other smaller businessmen have complained particularly about the tight money policy. This, I believe it fair to say, has been attributed not to any special effect of the policy on these groups, but to their inborn tendency to chronic complaint. Banks and larger business enterprises have, with rare exceptions, approved of the tight money policy. This has been attributed, not to any preferential position under the policy, but to a higher order of industrial statesmanship, a more accurate perception of the needs of the situation, or a greater willingness to make the required sacrifices, or possibly to endure while others did so.

III

Closer examination shows, however, that discrimination in the effect of monetary policy is not only likely but almost certainly inevitable. The difference is between those industries in which individual firms have a greater or less degree of control over the prices that they charge and those industries in which there is no control. Let me speak for a moment about this difference. The Kansas wheat farmer or the Wisconsin dairyman has no control over the price of the product which he sells. His price is given to him by the market. If the wheat farmer or dairyman prices his product above the market, he simply doesn't sell it. If he prices at less than the market, he forgoes a return he might have had. So he must always take the market price. All of his operations are subordinate and subject to that price. The same is true in only slightly less degree for the small dealer, the homebuilder, and the small retailer. Their prices (or margins) are also given to them by the market.

It's Part of Our System

It is equally plain that in other industries prices are subject to a greater or less control by individual firms. A fortnight ago the United States Steel Corporation raised the price of steel. No one, least of all the corporation itself, doubted its ability to do so and to make the price stick. This power over prices — the plenary power to set them within a con-

*A statement by Prof. Galbraith before the Senate Anti-Trust and Monopoly Committee, July 11, 1957.

1 "Market Structure and Stabilization Policy," *Review of Economics and Statistics.* Cambridge, Mass., June 1957.

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*Column not available this week.

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Observations . . .

By A. WILFRED MAY

THAT POPULATION FACTOR

—Eliciting the Proclivity for Double-Interpretation

One of the investment community's chief foibles has constantly been the engagement of market commentary in successive self-contradictory interpretations of a single outside influence. War, peace, domestic and international political events, taxation, and even cost-price trends typify some of these focal points inducing changing commentary, often following the stock market's behavior.

A. Wilfred May

Population growth and trends, now very much in the forefront of "outlook" discussion, represents one of these long-term two-edged factors. Midst the economic and stock market stagnancy of the 1930's, the population trend, with curtailed immigration and unreduced death rate, was generally regarded as static or falling. The bearish declining birth rate expectations were continued through most of the 1940's.

During that era, significantly, those on the side of forecasting a population *increase*, also clothed that prediction with pessimism, as furthering unemployment through increase in the number of job seekers.

The Recent Bullish Construction

In recent years bulls on the ever-expanding economy have relied on the population trend as a major supporting factor. Typically, Dr. Lionel Edie in a major speech before the National Industrial Conference Board on May 17, last, depicted it as providing a "dynamic growth push," with an enormous stimulus to consumption without overcrowding the productive labor force. This conclusion he based on a calculated deficiency during the 1949-1962 interval of 15 million in those entering the working age group in the face of the 60 million born for whom a standard of living must be provided.

More Baby Food and Capital Investment

The following favorable aspects are detailed in the Chase Manhattan Bank's quarterly *Business in Brief* July issue: The lifting of demand for baby food, clothing, toys and similar products from the 40 million children born in the past decade; the outflow of this demand to other markets; a larger potential market for homes, appliances, autos and related products from a re-soaring marriage rate; accompanied by a high level of capital investment needed to keep productivity rising.

Pinpointing into specific security recommendations is contained in the current survey of a leading Stock Exchange firm. With the *teen-age* group expected to increase about three times as rapidly as the rest of the population over the next 10 to 15 years, companies serving the teen-age markets are deemed to have a particularly favorable market outlook. Companies in baby and young children's foods, and toys are recommended. Also, geographical changes are expected to afford specific investment opportunities. Transfer to the suburbs is deemed to highlight the advantages of companies in road-building and construction, trucking, busses, chain-store retailers, and branch banks.

The Bearish Aspects

On the other hand, there has lately emerged an outcropping of negative conclusions on the population question, mostly to substantiate the argument pro Bear Market. One now hears that rapid population growth is a drag on rising standards of living, an unemployment cause, and raises the cost of raw materials. The rosy new-baby increased-consumption theory is challenged on the basis that the new-born babe does not actually arrive with a built-in supply of purchasing power; children being a burden on their family and themselves without contributing anything to productivity.

Moreover, in the quarters the post-1960 trend, with a shift in the present favorable structure, is eliciting worry, with the interval until 1975 slated to see an increase in the 20-64 age group doubling the growth in all other age groups. Here again the unemployment specter is embraced by the bearish contingent.

* * *

Investment Conclusion

The various elements in population trend should all—with consistency — be taken into account as one of many factors in determining investment policy; with emphasis on their impact on individual companies.

H. L. Jamieson Pres. Of Hare's Ltd.

H. L. Jamieson of San Francisco has been appointed President of Hare's Ltd., national distributors for the five Institutional Funds, and will make his headquarters in the New York office 85 Broad Street. He has also been named Vice - President of King Merritt & Co., Inc., one of the large mutual investment fund sales organizations.

H. L. Jamieson

E. C. Callan Joins Mitchum, Jones Firm

SAN FRANCISCO, Calif.—Edwin C. Callan is now associated with Mitchum, Jones and Templeton as co-manager of the San Francisco office, Russ Building, according to William N. L. Hutchinson, Jr. Prior to his appointment, Mr. Callan was Vice-President and Director of Brush Slocumb & Co., Inc. He is a member of the Business District Committee of the National Association of Securities Dealers.

Gus Welch Partner In B. C. Christopher

KANSAS CITY, Mo. — Gus D. Welch has been admitted to partnership in B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange. Mr. Welch was previously a partner in H. O. Peet & Co.

With C. D. Mahoney

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Raymond J. Malavasi is now with C. D. Mahoney & Co., Baker Building.

Chase Manhattan Names Buell, Craver Vice-Presidents

The appointments of Kennedy Buell and Harry S. Craver as Vice-Presidents in the public utilities department of the Chase Manhattan Bank were announced by George Champion, President. Both joined the staff in 1928 and have been Assistant Vice-Presidents since 1953.

Other promotions were those of Robert B. Rivel in the financial planning department from Assistant Treasurer to Assistant Vice-President, and Adam C. Heck of the comptroller's department from Assistant Treasurer to Assistant Comptroller.

Newly appointed Assistant Treasurers are Albert H. Barlow, Albert Crespo, Robert J. Kennedy and Harry C. Struckman. Robert A. Kavesh was named business economist.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production continued its uneven pace the past week as the automotive industry made preparations for shutdowns in September in connection with the 1958 model changeovers. However, the industry expected to maintain steady employment throughout August.

Looking into the future, some business and industrial leaders feel that the fourth quarter will be a turning point and bring about a sharp upturn in output and sales, but in the light of today's performance, such predictions may fall short of present expectations. Nevertheless, it is generally agreed in conservative quarters that some improvement will occur in the final quarter.

With respect to our foreign trade, the United States Department of Commerce reports that for the month of June, both our exports and imports dropped off from the previous month, but continued to run ahead of the record pace of 1956.

The import figure, a preliminary estimate based on incomplete information to be revised later, showed that the United States purchased $983,000,000 of goods abroad in June. That was about 11% below May and 5% below the 1956 month. For the six months, the 1957 mark was estimated at $6,400,000,000 and the 1956 total at $6,300,000,000.

The United States Department of Commerce further reported that June commercial exports of $1,647,800,000 boosted shipments during the first half of 1957 to $10,230,200,000. This six month record marked a 22% gain above the $8,400,000,000 of the year ago period. In 1956, American exports rose to their highest mark in history. Compared with May, however, June commercial exports sagged 4%. They were 11% above June, 1956.

In the steel industry this week the mills are on tenterhooks, worrying over the upcoming steel price hearings and how strong the expected pickup in third and fourth quarter steel demand will be, states "The Iron Age," national metal working weekly.

"The Iron Age" has learned that when the hearings get underway, possibly this week, the mills will have reams of evidence to justify their price structure, the preparation of this evidence having occupied the time of top steel executives for weeks.

For most mills, the upturn in steel demand is a foregone conclusion. It's simply a matter of degree. Some look for the break to come late this month. Others are betting on a significant pickup in September. It depends to a large extent on the automotive industry. The car builders have made only tentative commitments to date.

Meanwhile, steel user plant vacation shutdowns have about run their course. Steel buyers generally are taking a closer look at their depleted inventories and many of them are content to let the mills worry about tiding them over with emergency tonnages. However, they are keeping a sharp eye peeled for a shift in the market.

"The Iron Age" raised the question this week whether Walter Reuther might be willing to barter his short-work-week demand for a fat pay boost. Reuther and his auto union have been making a lot of noise about the need for a short work-week. Some observers are wondering whether he is not setting up the auto companies for an eleventh hour pitch for a better-than-usual pay hike.

"A possible clue to Mr. Reuther's real feeling," says "The Iron Age," is that he has been doing just a wee bit of hedging in his public remarks." He says "studies indicate" the need for a shorter work week, that "our workers feel" such-and-such.

Regardless of what turn auto labor talks take next summer, the possibility of a work stoppage should not be overlooked, says the metalworking weekly. In relating this to the steel market, "The Iron Age" pointed out that the auto companies will be

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Keeping Up With Jones and Laughlin

By IRA U. COBLEIGH

Enterprise Economist

Current activity among the steel shares suggests a look at Jones & Laughlin, fourth largest steel producer, now benefitting from $100 a share plow-back in productive facilities.

Splendid earning reports coming in from major steel companies, a $6 per ton average increase in steel prices July first, apparent reversal of first quarter downtrend in steel production, and greatly improved plant efficiency, in certain instances, all have caused stock market activity to have a steely accent in the past few weeks. Not that the steel stocks have soared spectacularly (except perhaps Ludlum); but they do sell today, within a few points of their year's highs and, in a highly selective market, they have been selected by prudent persons, over many other industrial categories, for both income and gain. We believe such selection has been logical. And in this industry we perceive, at the moment, a special value in Jones & Laughlin.


Ira U. Cobleigh

Time was, a decade ago, when this company appeared to be dragging along with old tired plants, so-so management, and poorly equipped for the postwar competition in steel. Then along came an old Navy hand, Admiral Ben Morcell, who became Board Chairman of Jones & Laughlin Steel Corporation in 1947, and embarked the company on a huge renewal and expansion program. Then last year Avery C. Adams, who had earlier racked up a brilliant sales and executive record (at U. S. Steel, and as President of Pittsburgh Steel), became President of JL, and added new pace and drive not only to sales but to plant and development and research. So today, Jones & Laughlin is competitive as they come; and in addition to a top flight management echelon, it has some $700 million more in modern earning assets, than it had 11 years ago.

To be specific, in the period from Jan. 1, 1946 to Dec. 31, 1956 JL laid out $634 million on plant modernization, improvement and expansion; and it will lay out over $100 million more this year. Now with 7,200,000 common shares of JL outstanding, you can see that's over $100 a share which has been added to plant account in these 12 years. Yet the common sells at $60, discounting all this new money by 40% and attaching no value at all to the plant existing prior to 1946. There is, besides JL, only one other big steel company common that now sells below book value. So any potential buyer of JL is not asked to pay any fancy price in terms of assets (the 1956-57 stock range was between 42½ and 62½).

But asset value while significant is not the conclusive factor in the appraisal of a stock; more important is earning power—the profitability of these assets. JL has for the past four years earned about 20% on sales, before charges. This carried down to an actual net profit for 1956 of $6.63 per share; and would suggest earnings of around $7.40 per share for this year; and over $10 for 1958. On only the 1956 results, JL common now sells at nine times earnings, one of the lowest price-earnings ratios in the business. The above estimates assume plant operation at the rate of between 85% and 90% (Jones & Laughlin has for some years operated at a rate above the industry average).

By merger, JL has recently acquired Rotary Electric Steel Co. (with a plant outside Detroit), a large producer of stainless and alloy steels; and Cold Metal Products which produces, at Youngstown, Ohio, cold rolled steel strip. These two acquisitions broaden and diversify the product-mix at JL and open the way for substantial research and development in high alloy and stainless steels. Moreover, they improve the competitive position of JL in its supply of strip and sheet to the automotive trade.

The three main plants of JL are (1) at Pittsburgh (about 50% of capacity rating), (2) at Aliquippa, Pa. (with 29% of ingot capacity), and (3) at Cleveland (with 21% of total capacity) — the least profitable unit. Plans have recently been announced for the purchase of a future plant site in Texas — 2,700 acres in Chambers County on Galveston Bay (original plans called for a major new plant, to produce steel tubing, in the Houston area, but failure to secure rapid tax amortization apparently knocked this out).

All this plant expansion not only relates to substantial increase in total ingot production, but adds to the types of finished steel JL can produce and deliver. For instance, tubular steel for the oil trade has been in roaring demand for the past two years; and part of plant improvement has resulted in upping, to roughly 25%, the percentage of ingot production that can now be converted into finished tubular steel.

About finances, Jones & Laughlin is in splendid shape. Net working capital at the 1956 year-end was $165 million; and cash flow from depreciation is in the order of $47 million a year. Capitalization consists of $153,400,000 in long-term debt (including a recent $15 million bank loan), $29,400,000 in par value of 5% preferred now selling at 93, and 7,200,000 shares of common with a book value (at time of Rotary Steel merger) of $61.50. Dividends have been regularly paid since 1941, the present rate being $2.50 in cash plus 3% in stock last year. The cash yield at 60 of about 4.2% may seem a bit meager, but if the stock dividend were continued and cashed, the yield would move up to above 7%. We would not look for an advance in the cash distribution till late in 1958 but within two years this stock should be able to deliver a $4 dividend on a regular basis.

Jones & Laughlin lacks perhaps the prestige of U. S. Steel, with its vast mines, and its huge cement company; and it doesn't have the shipbuilding business of Bethlehem, but in its own special way it is rapidly gaining in prestige, stature and profitability. Within 24 months JL should join the elite group of American industrial companies grossing over $1 billion annually; and by that time JL could be a $100 stock.

Another yardstick by which to judge Jones & Laughlin is to relate the market value of its stock to tons of mill capacity. The figure is $63. Others are much higher. For instance you have to buy $93 worth of stock in U. S. Steel per ton of steel capacity; for Bethlehem the figure is $108; for Republic $79; for Armco $113.

Because steel companies have, alas, operated on occasion at only fractions of capacity, something should be said about the break even point at JL. On existing price-cost relationships JL should do something better than break even, operating at 50% of capacity. Operating at only 75%, the per share net for 12 months should amount to around $5.50. This is not offered as a projection of a possible bearish trend in steel operations, but rather to indicate the defensive qualities which JL common might appear to afford in less prosperous times.

All this chatter about operating rates in steel is rather confusing since capacities are being constantly increased, while rates of operation are usually based on capacities existing at the end of the preceding year. Thus, on occasion, we witness the spectacle of a steel company operating at 105% of its capacity, which, on its face, would seem to represent an astounding prodigy of managerial genius!

Well, we don't expect miracles at Jones & Laughlin, but it would not seem too prophetic to suggest that JL is technically underpriced today; that earnings and dividends from a greatly enlarged and improved plant should rise over the next three years, and that JL common should, in its market price, appropriately respond to these stimuli. Perhaps, however, before we go overboard on steel stocks, we should pause to perceive just how much ingot ignorance the coon-hatted pone-fed politician from Tennessee can bring to the subject of steel prices!

Cliff Dwellers and Home Owners

I have never been an advocate of the government-type loan such as V. A. because in lending money to people, you must know them personally and the property and only then can you write the instrument that will serve their needs and give the association the protection it requires. I do not believe a formula has ever been devised that is applicable to all men and, in the matter of lending under government sponsorship, we have put a lot of would-be cliff dwellers into homes because the payments are cheaper than rent. Without pride of ownership, a property can become a slum in a matter of a very few years and, while inflation has precluded problems in this lending era, the basic principles of lending money have not changed. Unless you know the man that signs the mortgage, you may have a problem during the 15 to 25 years' span of loan. Mortgages should not be traded like stocks and bonds with a fluctuation of market value to par on the note.—**From a talk by H. P. Greep, President, Atlantic Federal Savings and Loan Association, Fort Lauderdale, Fla., before the National Savings and Loan League's 11th annual Executive Seminar at Mercersberg Academy in Pennsylvania on July 23.**


H. P. Greep

With Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—David F. Smith and Mrs. Nancy M. Daniels have joined the staff of Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Two With Jaffe, Lewis

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Irwin L. Icove and Marc D. Linger have joined the staff of Jaffe, Lewis & Co., 1706 Euclid Avenue, members of the Midwest Stock Exchange.

On Inflation—Then and Now

By PHILIP CORTNEY

Economist and President, Coty, Inc.

Mr. Cortney maintains principle causes of present inflation, as in the Nineteen-Twenties, stem from abuses of money and credit expansion, and wages. Cites series of prophetic articles published in the "Chronicle" in 1928-29. Sees precedent for today's excesses in Dana's understanding of "pernicious" inflation, based on pyramiding increases in artificial purchasing power rather than in spiralling wages and prices.

The discussions around inflation get more and more confused. Some people over-simplify the issue. Some others speak of "new forces" to explain the most recent rise in prices. Is anyone denying that the collapse of 1929 was also due to inflation despite the fact that we did not then have a rise in prices for seven or eight years before the collapse? The written testimony of an able and intelligent witness of the 1920's will convince anyone, I hope, that the present situation has many similarities with that in the 1920's. The main causes of the present inflation are —*mutatis mutandi*—the same as in the 1920's, namely, abuses of money and credit expansion, and wages.

Philip Cortney

Star Witness in 1928

My star witness is Arnold G. Dana. Starting Dec. 15, 1928, and ending Aug. 3, 1929, he wrote a series of eight articles which appeared in the "Commercial and Financial Chronicle." He denounced the then prevailing policies, **demonstrated** without any "if's" or "but's" that what was going on was not prosperity but sham, and that the end of the "wholesale debauchery" would be a collapse of the economy and of the stock exchange boom. The kind of inflation we had then he called "pernicious" or "progressive" inflation which he defined as follows:

"Pernicious inflation is a persistent upward rush of popular buying and spending—the luxury loving child of some unusual fusion of business and extravagant expectations, kept alive and growing rapidly on an increasing diet of what may be called 'artificial buying power.'

"This artificially-created buying power includes, as might be supposed, in larger and larger volume such items as the following: (1) Repeated and widespread wage increase, regardless of any proportionate increase in individual output (as for years past in our building construction trades and for bakers, barbers, electric railway men, longshoremen, etc.); (2) exceptionally large additions to bank and other credits; (3) bank deposits in abnormally rapid turnover (by bank checks); (4) a huge outpouring of such obligations as real estate mortgages, municipal securities, and usually corporation bonds; (5) dividends and profits swollen by inflationary business; (6) stock issues of inflationary origin, of late an important source of funds; (7) and often (as now) huge profits from 'bull' speculation; and also (8) if **conditions of supply and demand require**, rising prices and fiduciary note issues." Dana explains that prices may not rise because either supplies have been ample or higher prices were not required to make the inflation effective in other directions.

"This inflation is a 'runaway' because, the buying and borrowing keep industry (in particular the favored luxury and related industries) more or less crowded with orders; while industry and capital in their turn spur on the popular buying and spending by such means as unusually liberal loans and instalment sales, the expansion of wage scales, alluring advertising, spectacular speculation which inflames the popular mind with the sight of rising market values, and otherwise. Thus labor and capital egg each other on, perpetuating and quickening the runaway.

"Inflation may intoxicate directly either an entire country or a substantial share of a nation's business and personnel — if the latter, the minority may profit to the disadvantage of the rest of the community and render its living more difficult, though to some extent ameliorating the general position through tending to bring full-time employment to all. Inflation also tends to overstep the lines in which it starts, and becomes general,"

I wish I could quote every word in these eight articles, but let me make a few other pertinent quotations relative to the present situation and debate:

"For seven years past the Federal Administration at Washington has consistently endorsed the genuineness of our so-called 'prosperity' and the wisdom of promoting it by a policy of 'high wages,' meaning nothing else, it seems, than indefinitely higher and higher wages for those in the favored industries, as if this process were not in itself a '*reductio ad absurdum*' — most unfair to other workers and certain to end lamentably.

"The existing boom owes its life in the first instance in large measure to the buying power with which labor came out of the war and to the subsequent addition to wages. As beneficiary in this manner, labor has also assumed with general approval a leading role as borrower in this progressive inflation.

"But the most remarkable fact of all is that where the wage earner has been most conservative —in his saving and his provision for life insurance — there he has been providing vast sums for inflationary expansion, for to a large extent have not his own premiums and savings bank deposits been handed back and almost forced upon him by way of building loans?"

"Pernicious" Inflation Then And Now

Arnold G. Dana restated his understanding of pernicious inflation in the following manner which I submit explains very well what is going on under our own eyes:

"Inflation is not a race between mounting wages and prices, since prices may for a considerable time have little or nothing to do with it. It is rather a cancerous business growth marked by speculation and extravagance, either general or 'specialized' in its workings, and both fed by, and itself cultivating, an ever-widening circle of artifical purchasing power, such as abnormal amounts of borrowed money, increasing wages and profits, security issues, etc. One form begets another, this a third, and so on around and around, swelling, either slowly or rapidly, the volume of business by an overgrowth of healthy or other cells."

It has always seemed strange to me that while so many inept and prejudiced explanations of the 1929 depression are being published to this very day no one in or out of the academic profession ever mentions the articles written by Dana which are in my opinion the most cogent documents published on the causes of the 1929 depression. It should be noticed that Dana explained the anatomy of the coming crash not after it happened but before its occurrence.

Conn. Turnpike Bonds Offered to Investors

A group headed jointly by The First National City Bank of New York and Lehman Brothers is offering $35,000,000 State of Connecticut 6%, 4%, 3¾%, 3⅝%, 3½%, 3.60%, 3⅝%, and 3.65% Expressway Revenue and Motor Fuel Tax bonds, Greenwich-Killingly Expressway, Fourth Series (General Obligation), due Jan. 1, 1963-1997 inclusive. The bonds, general obligations of the State of Connecticut for which its full faith and credit are pledged, are priced to yield from 2.80% to 3.65%. The offering group won award of the issue at competitive sale Aug. 6 on a bid of par for the combination of coupons, resulting in a net interest cost of 3.6097%.

The bonds are interest exempt from Federal income taxes, tax exempt in Connecticut, and legal investment for savings banks and trust funds in New York and certain other states and for savings banks in Connecticut and Massachusetts.

They are redeemable beginning July 1, 1965 at the option of the state or beginning Jan. 1, 1963 out of revenues or certain other monies in inverse order of maturity, at prices ranging from 105% if called on or prior to Dec. 31, 1967 to 100½% if called after Dec. 31, 1992.

The bonds are part of an issue of $397,000,000 Expressway bonds authorized for the purpose of financing the state's cost in connection with the construction of the Turnpike project. In addition to the general obligation bonds just offered there are now outstanding three series of bonds aggregating $350,000,000, none of which are general obligations of the state. The aggregate principal amount of Expressway bonds which may be issued as general obligations of the state is limited to $150,000,000.

From Washington Ahead of the News

By CARLISLE BARGERON

If the Chamber of Commerce of the far from big, but very attractive State of Oregon, had gone out purposely to attract attention to the state with some sort of a slogan that it was unusual, unique and individualistic, it could not have done a better job than what has been happening out there in recent years.

Carlisle Bargeron

In that period it has sent to the United States Senate, a pretty good show window for a state, Messrs. Wayne Morse and Neuberger and then in the last election it sent to Congress, one Charles O. Porter from Eugene, Oregon. Here are three Democrats from a state which has long been considered rockbound Republican. There used to be a lot of political shenanigans in, and some very wooly haired men came from the neighboring state of Washington, but good old Oregon was the salt of the earth.

It is not so much that it has now sent three Democrats to Washington, but the fact that they are very public relations minded. It is seldom a day passes that one or all three of them do not get their names in the newspapers and no one of the three seems to care just how he gets it there.

Morse, of course, was first elected as a Republican. Then being the prima donna he is, he switched to the Democrats. He will tell you any time that he doesn't think either party is perfect but he is.

Neuberger is a first termer and, instead of watching and studying the august body of which he is a member, he moved in immediately as one of its most articulate spokesman. He claims to have been a former newspaperman which gives him a kinship with the Press Gallery and he frequently drops up to the gallery from the Senate floor to dash off an idea, ranging all the way from the pay of postal employees to world affairs. To say that neither he nor Morse has any influence among his colleagues is to express it mildly, but from the newspapers it would be hard to escape the impression that they are two of the outstanding senators.

To them, at this session, was added Mr. Porter. To the old timers of Washington there is hardly anything smaller than a first term Congressman. He is a babe in the woods, completely lost in the labyrinth of bureaucracy that is the capital of the nation.

But not Mr. Porter. He has overnight developed himself an issue which has put him in demand as a lecturer before women's clubs throughout the country.

It seems that for years there has been a group in this country, exiled Dominicans and "liberals" who have been trying to get the Dominican Dictator, Trujillo. A census of our industry and prosperity should show the number of men making their livelihood out of trying to get Trujillo and those he employs to defend him. Next to the Cuban sugar industry I know of nothing offering more gainful employment among Washington parasites than the business of Trujillo, either for or against him. The answer is simply that the man is well heeled.

The industry of Trujillo has lagged since the late '30s when he is alleged to have massacered 10,000 Haitians whom he claimed were trying to cross over into his peaceful and prosperous territory. At the time he employed one of the most successful law firms in Washington, but for a couple of years he had to spend a lot of additional money for publicity services to restore his good-will in this country.

Now he is in controversy again, and this is where Mr. Porter has moved in. It seems that a man named Galindez, a professor or instructor or something at Columbia University, wrote a very unfavorable biography about Mr. Trujillo and mysteriously disappeared. The propaganda has been to the effect that his body was stuffed into the engine of a Dominican vessel. Another story is that he was done away with and an adventurous American flyer who was doing some skullduggery for Trujillo then flew the body to San Domingo after which the flyer, himself, knowing too much, was murdered.

It so happens that the adventurous American flyer was from Congressman Porter's district. So Mr. Porter, after demanding that the State Department call Mr. Trujillo to account, has moved into the role of a defender of democracy, an opponent of Latin American dictatorships generally, and an exponent of freeing all the Latin American peoples from their rulers whether they be benign or despotic. It is quite an undertaking, though it provides a profitable lecture platform.

Of course, for a member of the United States Congress to be trying to change the motly political face of Latin America does not influence or make friends for this country of the Latin American governments.

I am no expert on the plottings of these governments or those of Mr. Trujillo. But I did read in the "American Mercury" magazine a few weeks ago a complete exposure, or what purported to be an exposure, of the trumped up bunk about Galdinez' disappearance and that of the adventurous American flyer. I am dubious about citizens or politicians of the United States trying to make agitation out of such incidents.

In the meantime, Mr. Trujillo who has always been a friend of our government, whatever that means, is spending more money in this country for publicity men and lawyers. Apparently this sort of stuff is what makes the wheels go around.

With Jensen & Stromer

(Special to The Financial Chronicle)

MARYSVILLE, Calif. — Virgil V. White has become affiliated with Jensen & Stromer, 426 East Fifth Street.

Joins Robert C. Buell

(Special to The Financial Chronicle)

HARTFORD, Conn.—Richard D. Briggs has joined the staff of Robert C. Buell and Company, 37 Lewis Street.

Now With Conning & Co.

(Special to The Financial Chronicle)

HARTFORD, Conn.—Donald H. Flaxman is now with Conning & Co., 15 Lewis Street, member of the New York Stock Exchange.

Interest Exempt from Federal Income Taxes under Existing Statutes and Decisions

Exempt from Taxation by the State of Connecticut

Eligible, in our opinion, as Legal Investments, for Savings Banks and Trust Funds in New York State, and for Savings Banks in Massachusetts, Connecticut and certain other States

New Issue

$35,000,000

State of Connecticut

Expressway Revenue and Motor Fuel Tax Bonds
Greenwich-Killingly Expressway, Fourth Series (General Obligation)

General Obligations of the State for which its Full Faith and Credit are Pledged

Dated July 1, 1957. Due January 1, as shown below. Principal and semi-annual interest (January 1 and July 1) payable in Hartford, Conn. or in New York, N. Y. Coupon bonds in the denomination of $1,000, registerable as to principal only and exchangeable for fully registered bonds in the denominations of $1,000, $5,000, $10,000 and any whole multiple of $50,000, at the expense of the holder, as provided in the Bond Declaration.

The State has reserved the option to redeem the Fourth Series Bonds prior to maturity, beginning July 1, 1965 at the election of the State, or beginning January 1, 1963 out of revenues or certain other moneys required by the Declaration to be paid into the Bond Acceleration Fund established by the Declaration, on 30 days published notice, as a whole at any time or in part on any interest payment date in inverse order of maturity, and by lot if less than all of the bonds of any maturity of such Series are to be redeemed, at their principal amount and accrued interest to the date fixed for redemption plus a premium of 5% if called on or prior to December 31, 1967; 4¼% if called thereafter and on or prior to December 31, 1972; 3½% if called thereafter and on or prior to December 31, 1977; 2¾% if called thereafter and on or prior to December 31, 1982; 2% if called thereafter and on or prior to December 31, 1987; 1¼% if called thereafter and on or prior to December 31, 1992; or ½% if called thereafter.

AMOUNTS, MATURITIES, RATES AND YIELDS OR PRICES

Amount	Due	Rate	Yield	Amount	Due	Rate	Yield	Amount	Due	Rate	Yield or Price
$100,000	1963	6%	2.80%	$1,000,000	1970-71	3¾%	3.10%	$2,000,000	1984-85	3½%	3.45%
150,000	1964	6	2.90	1,250,000	1972-73	3¾	3.15	2,100,000	1986-87	3½	100 (price)
200,000	1965	6	2.95	1,400,000	1974-75	3⅝	3.20	2,600,000	1988-89	3½	3.55%
250,000	1966	6	3.00	1,450,000	1976-77	3½	3.25	2,850,000	1990-91	3.60	100 (price)
650,000	1967-68	4	3.00	1,600,000	1978-79	3½	3.30	3,000,000	1992-93	3⅝	100 (price)
400,000	1969	3¾	3.05	1,600,000	1980-81	3½	3.35	10,550,000	1994-97	3.65	100 (price)
				1,850,000	1982-83	3½	3.40				

(Accrued interest to be added)

These bonds are offered when, as and if issued and received by us, subject to prior sale, before or after appearance of this advertisement and subject to approval of legality by the Attorney General of the State of Connecticut and by Storey Thorndike Palmer & Dodge, of Boston, Massachusetts, Bond Counsel for the State, and Hawkins, Delafield & Wood, New York, N. Y., Bond Counsel for the underwriters.

The First National City Bank of New York — **Lehman Brothers**

Halsey, Stuart & Co. Inc. — Kidder, Peabody & Co. — Drexel & Co. — Goldman, Sachs & Co. — The Philadelphia National Bank — Chemical Corn Exchange Bank

Guaranty Trust Company of New York — White, Weld & Co. — Continental Illinois National Bank and Trust Company of Chicago — Lazard Frères & Co. — Bear, Stearns & Co.

Hornblower & Weeks — First of Michigan Corporation — F. S. Smithers & Co. — B. J. Van Ingen & Co. Inc. — Braun, Bosworth & Co. Incorporated — Ira Haupt & Co.

Coffin & Burr Incorporated — American Securities Corporation — Carl M. Loeb, Rhoades & Co. — Baxter & Company — Tucker, Anthony & R. L. Day — Hallgarten & Co.

Dean Witter & Co. — Adams, McEntee & Co., Inc. — G. H. Walker & Co. — Weeden & Co. Incorporated — Hayden, Stone & Co. — Roosevelt & Cross Incorporated — W. H. Morton & Co. Incorporated

Bacon, Stevenson & Co. — Robert Winthrop & Co. — The First National Bank of Boston — Spencer Trask & Co. — Allen & Company

Dick & Merle-Smith — The Marine Trust Company of Western New York — Branch Banking & Trust Company — R. S. Dickson & Company Incorporated — Fitzpatrick, Sullivan & Co.

Laird, Bissell & Meeds — E. F. Hutton & Company — Mercantile-Safe Deposit and Trust Company — Lincoln R. Young & Co. — Bacon, Whipple & Co.

Model, Roland & Stone — William Blair & Company — Winslow, Cohu & Stetson — Courts & Co. — Granbery, Marache & Co. — Dwinnell, Harkness & Hill Incorporated

First Southwest Company — Tripp & Co., Inc. — Van Alstyne, Noel & Co. — R. D. White & Company — Wood, Gundy & Co., Inc. — J. Barth & Co.

Bartow Leeds & Co. — National Bank of Commerce of Seattle — Julien Collins & Company — National Bank of Westchester — F. W. Craigie & Co.

Singer, Deane & Scribner — Shelby Cullom Davis & Co. — Thomas & Company — McCormick & Co. — Newhard, Cook & Co. — New York Hanseatic Corporation

McJunkin, Patton & Co. — Rand & Co. — Anderson & Strudwick — G. C. Haas & Co. — Arthur L. Wright & Co., Inc. — Stern, Lauer & Co.

August 7, 1957.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter (No. 30)—Features the Nuclear Navy; an artist's conception showing all 21 of the atomic vessels now in operation, under construction or planned; a table showing the principle contractors for the ships and reactor components; also mentions the large Swiss and Dutch holdings of the Fund's shares. Comments on High Voltage Engineering Company and Foote Mineral Company—Atomic Development Mutual Fund, Inc., Dept. C, 1033—30th Street, N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street New York 5, N. Y. Also available is current Foreign Letter.

Canadian Common Stocks—List of representative issues by industry—A. E. Ames & Co., Inc., 2 Wall Street, New York 5, N. Y.

Chemical & Pharmaceutical Industry—Bulletin—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Chemical Stocks—Bulletin—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Copper Securities—Circular—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Drilling Muds—Information—Socony Mobil Oil & Co., Room 2400, 150 East 42nd Street, New York 17, N. Y.

Fire & Casualty Insurance Companies—Comparative study of 65 companies for 1956—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available are memoranda on **Cosden Petroleum Corp.** and **Scott Paper Co.**

Investing for Inflation—Lists of suggested securities in current "Market Review"—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Hertz Corp., Corning Glass Works,** and **Black & Decker Manufacturing Company.** Current issue of the "Pocket Guide" discusses 30 **Rail Equities.**

Investment for Income—Discussion with particular reference to **Texas Eastern Transmission, Pacific Power & Light, Citizens Utilities Co.,** and **United Utilities**—Hayden, Stone & Co., 25 Broad Street, New York 5, N. Y.

Japanese Stock Market—Bulletin—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Leisure Time Stocks—Bulletin—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Market Review—Study—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Second quarterly analysis of 13 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Public Utility Common Stocks—Comparative figures—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.

Southern California—Survey of business conditions—Security First National Bank of Los Angeles, Research Department, Box 2097, Terminal Annex, Los Angeles 54, Calif.

* * *

Alabama Gas Corporation—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y. Also available is a bulletin on **Joy Manufacturing Co.**

American Smelting & Refining—Memorandum—Walston & Co., Inc., 120 Broadway, New York 5, N. Y.

Baltimore & Ohio Railroad—Memorandum—Schirmer, Atherton & Co., 50 Congress Street, Boston 9, Mass.

Bank of America—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Bell & Howell Co.—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **National Supply, Travelers Insurance Co., Vanadium Alloys Steel,** and **Pittston Co.**

Boston & Maine — Analysis — Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Brooks & Perkins—Memorandum—Richard Bruce & Co., 26 Broadway, New York 4, N. Y.

Canadian Pacific Railway Company—Analysis—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Cascade Natural Gas — Bulletin — Blanchett, Hinton & Jones, Inc., 1411 Fourth Avenue, Seattle 1, Wash.

Chromalloy Corp. — Memorandum — S. D. Fuller & Co., 39 Broadway, New York 6, N. Y.

Clevite Corporation—Data—Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **Curtiss Wright Corporation, Owens-Illinois Glass Co., U. S. Smelting, Refining & Mining Co.** and **Western Pacific Railroad Company.**

Columbia Broadcasting System, Inc.—Analysis in "ABC Investment Letter"—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y. Also in the same circular are data on **Anaconda Co., International Harvester Co., Scott Paper Co., Arizona Public Service Corp.,** and **Colorado Oil & Gas Corp.**

Columbia Pictures — Memorandum — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Consolidated Cuban Petroleum—Report—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Consolidated Freightways, Inc.—Memorandum—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Denver & Rio Grande Western Railroad—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **National Supply, Travelers Insurance Company,** and **Westinghouse Air Brake Co.**

Dominion Bridge Company Ltd.—Analysis—James Richardson & Sons, 173 Portage Avenue E., Winnipeg and Royal Bank Building, Toronto, Canada.

Erie Resistor Corp.—Memorandum—Cyrus J. Lawrence Corp., 111 Broadway, New York 6, N. Y.

First National City Bank of New York—Analysis —du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular is a brief analysis of **Chesapeake & Ohio.**

Florida General Telephone Corp.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

General Electric—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also available in the same bulletin are data on **Canada Dry.**

Honolulu Oil—Memorandum—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Ideal Cement Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Jack & Heintz, Inc.—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is an analysis of **Ceco Steel Products Corporation,** and a memorandum on **Sperry Rand Corp.**

Jones & Laughlin Steel Co.—Memorandum—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y. ($1.00).

Levingston Shipbuilding Company—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **American Greetings Corporation.**

Madison Gas & Electric Co. — Analysis — Golkin & Co., 61 Broadway, New York 6, N. Y.

Marine Midland Corporation—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

J. Ray McDermott—Card memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Meletron Corporation—Circular—Bennett & Co., 6253 Hollywood Boulevard, Hollywood 28, Calif.

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COMING EVENTS

In Investment Field

Sept. 13, 1957 (Chicago, Ill.)
Municipal Bond Club of Chicago 21st annual field day at the Medinah Country Club (preceded by a dinner Sept. 12 at the University Club).

Sept. 25-27, 1957 (Santa Barbara, Cal.)
Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

Oct. 7-8, 1957 (San Francisco, Cal.)
Association of Stock Exchange Firms Board of Governors meeting at Mark Hopkins Hotel.

Oct. 10, 1957 (Omaha, Neb.)
Nebraska Investment Bankers Association annual frolic and field day at the Happy Hollow Country Club (to be preceded by a cocktail party, Oct. 9 at the Omaha Club).

Oct. 10-11, 1957 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors meeting at Beverly Hills Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention at the Homestead.

Dec. 1-6, 1957 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

Oct. 29-Nov. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

New Gary Branch

GARY, Ind. — Rodman & Renshaw has opened a branch office at 31 East Fifth Avenue, under the management of Robert J. Roberts.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Alfred Borglum has been added to the staff of Bache & Co., 445 North Roxbury Drive.

Julian Francis Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—George T. Whitson has been added to the staff of Julian Francis & Co., 291 South La Cienega Boulevard.

Trade Union Dictatorship In Britain

By PAUL EINZIG

Dr. Einzig calls attention to increasing accession to political domination by the trade unions. Asserts present situation constitutes a choice between runaway inflation and adoption of Socialist policies to appease trade unions. Concludes British attitude toward labor will provide cue for rest of free world.

LONDON, Eng. — The ancient system of British Parliamentary democracy is in grave danger of being replaced by the dictatorship of trade unions. This menace is becoming increasingly evident. But the method by which the trade unions seek to achieve political domination is so subtle that it may take some time before the British public, or even the majority of British politicians, will come to realize what is happening. Most people are already aware that even a Conservative Government is increasingly reluctant to adopt any course that is firmly opposed by the Trade Unions Council. Admittedly, since 1951 when the Conservative Party took over from the Labor Party, many things have been done against the wishes of organized labor. Iron and steel and long-distance road haulage have been denationalized. Prices have been de-controlled, and most subsidies have been abolished. Legislation has been adopted to de-control rents. Some slight taxation relief has been provided to the middle classes and the upper income groups.

Dr. Paul Einzig

Runaway Inflation In the Making

All this was allowed to proceed until now, because the trade unions were busily cashing in on the scarcity value of labor by obtaining higher and higher wages. But now it has become evident that this wage-inflation is getting out of control and the situation has the makings of a runaway inflation. Faced with the situation, the Government did not dare to antagonize the trade unions by resorting to really effective disinflationary measures. Instead, it now pretends to believe that an increase in the output would correct the effect of rising wages on prices. Judging by the relatively favorable response of the Stock Exchange to the Government's decision to do nothing effective about inflation, it appears that the arts of self-deception and wishful thinking are still very popular in Britain. But the inevitable acceleration of the pace of inflation is bound to bring soon a rude awakening.

Mr. Cousins, head of the all-powerful Transport and General Workers Union, recently rejected any idea of self-restraint in wages demands. The political wing of the labor movement has dropped very distinct hints that the attitude of the trade unions would become much less uncompromising if the Conservative Government were replaced by a Socialist Government, or at any rate if the Conservative Government were to adopt Socialist policies against inflation — price control, subsidies, dividend limitations, heavier taxation of the higher incomes, suspension of the Rent Act that provides for rent de-control from October, 1958, etc. It seems highly doubtful whether even the adoption of such policies would induce the trade unions to renounce their excessive wages demands. They would have less excuse for their present ruthless attitude — but, then, the time when wages demands were influenced by the weight of arguments for and against their justification has long passed. It seems more than probable that even under a Socialist Government the trade unions would take full advantage of their strong bargaining position. But this is not self-evident, and the Labor Party has undoubtedly a very effective electioneering weapon in the argument that, thanks to its close relations to the trade unions, it would be in a better position to moderate the inflationary wages spiral.

Inflation Versus Socialism

The situation is presented to the British public as the choice between runaway inflation and the adoption of Socialist policies that would appease the trade unions. It is argued that, while a Conservative Government could only check the excessive rise of wages by risking widespread strikes as a result of a challenge to trade union supremacy, a Socialist Government would be able to achieve the desired end by reversing the various policies adopted under Conservative regime since 1951.

The Unions' Inflation Threat

Should the Socialists be successful in persuading the majority of the British electorate that their argument is valid, another Labor Government would assume power. The reason why they would thus obtain the support of the majority would not be, however, a realization of the soundness of their arguments but the realization by the electors that the trade unions are only prepared to cooperate with a Socialist Government. This would mean that the result of the general election would be determined by the threat, actual or implied, by the trade unions to force inflation on the country unless a Government of their choice were to be returned. The policies of the Administration would no longer be dictated by the genuine choice of the elecorate but by the pressure of trade unions. While the outward forms of democracy would be maintained, for all practical purposes the trade unions would dictate the choice of the Government and of the policies to be pursued.

Encroaching On Justice Administration

The trade unions are in a position to exert their influence not only in the industrial and political field, but to some extent also in respect of the administration of justice. During the recent strikes pickets resorted to innumerable acts of violence and intimidation, in defiance of the law which strictly defines the scope of "peaceful picketing." A number of lawbreakers were brought before the Magistrates, but the sentences passed on them were amazingly lenient. In no cases were sentences of imprisonment passed, much to the relief of the Government. It was feared in official circles that, should some of the offenders be sent to prison, the trade unions would refuse to call off the strikes until these men are released. This would have meant either prolonged strikes or a humiliating admission by the Government that it could be forced by the trade unions to interfere with the administration of justice by pardoning the offenders. The leniency of the sentences spared the Government from this awkward dilemma. Presumably the fear from such awkward situations subconsciously influenced the Magistrates to temper justice with mercy.

A More Awkward Dilemma

But the Government will have to face before long an even more awkward dilemma. In the course of the next 12 months, or possibly much sooner, it will become evident that the increase in the output will not even moderate the acceleration of inflation, let alone check it. A stage will be reached when the Government will have to decide whether, for the sake of avoiding both inflation and widespread strikes it will adopt Socialist policies under trade union pressure. It seems much more likely that the Government will take the line of least resistance by allowing inflation to continue, even if this will necessarily mean political suicide. The outcome of the present situation in Britain is liable to influence the situation in all industrial countries of the free world. **If the British Government should muster up enough courage to resist trade union pressure its example is likely to be followed in other countries. And its failure to stand up to the unions is likely to weaken the will to resist them also in other countries.**

J. F. Reilly Co. Opens Salt Lake City Branch

SALT LAKE CITY, Utah—J. F. Reilly & Co., Inc. announces the opening of an office at 39 Exchange Place under the management of Donald Glenn.

J. D. Swan Opens

TEXARKANA, Texas—James D. Swan is engaging in a securities business from offices in the Medical Arts Building.

O. G. Werner Opens

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Oscar G. Werner is engaging in a securities business from offices at 3870 East Colorado under the firm name of Oscar G. Werner & Co.

With Patterson, Copeland

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Thomas J. Welsh has become associated with Patterson, Copeland & Kendall, Inc., 231 South La Salle Street. Mr. Welsh who has been in the investment business for many years was formerly with Barclay Investment Co. and Boettcher & Company.

Looking Ahead in the Economy And the Securities Market

By RALPH A. BING
Vice-President and Economist, Commonwealth Investment Co.
San Francisco, Calif.

Mr. Bing, in weighing the leading economic indicators, perceives from an overall viewpoint "no significant economic recession is as yet in sight." Finds unfortunate the inability of monetary policy to reach more effectively some of the main inflationary pressures operating in our economy. Contends inflationary fears buttress the equity market and that a future recession will find present stock market level vulnerable. Advises cautious attitude toward ebullient market and looks favorably upon stocks that have undergone a temporary cyclical decline.

At the half-year mark of 1957 our economy is still running along at a very high plateau. Some widely publicized "soft spots," such as residential building and automobile output, have really shown only moderate weakness as compared to their exceedingly high level reached two years ago, and cannot truly be called soft spots, even now. There have, however, emerged some isolated soft spots in the economy, such as copper, zinc and lead, most textiles and a number of household appliances. However, excepting the textiles, these weaknesses are typically temporary, in line with the postwar pattern of "rolling adjustments."

Ralph A. Bing

In addition, there appear on the horizon some isolated weaknesses for the coming years, such as in the production of fighter airplanes (due to the technological shifts in military aviation).

Finally, capacity has temporarily overtaken demand in some of the leading growth industries, such as aluminum, paper and in some chemical lines, with the result that profit margins have narrowed in the last 12 months and may not recover for some time to come. (Both the aluminum and paper industries count on some excess capacity for the next two years.)

Taking an overall view, no significant economic recession is as yet in sight. Of the major components of the gross national product—consumers' spending, government spending and private capital outlays for new plant and equipment—only the latter seems at present possibly headed toward a turning point and a moderate decline in 1958. Such a decline would seem quite possible, or even likely, in view of relatively tight money conditions, reduced corporate liquidity and narrowing profit margins in various industries. Moreover, such capital outlay programs in the past have shown a rather pronounced degree of susceptibility to changes in orders and sales trends, and more recently manufacturers' aggregate sales and unfilled orders showed a slight decline; if continued for a few months, such a down-trend could unfavorably influence capital outlay plans for next year.

Discusses Capital Outlays

For the current calendar year, however, the bulk of capital outlay programs will undoubtedly not be changed, and, consequently, capital outlays will reach the expected new high of $38 billion, about 8½% above last year's. However, the major impact of this increase has already been reached, and total outlays in the third quarter are not expected to be significantly above the second quarter.

Capital outlays for new plant and equipment currently represent about 8% of the Gross National Product, and they are one of the chief potential accelerators or decelerators of general business activities. Nevertheless, a moderate decline in 1958 of, for instance, $2 to $3 billion in these outlays would in itself be unlikely to generate a general business recession. From an overall dollar viewpoint, spending by state and local governments has been going up annually by approximately $2 billion for quite a few years, and is likely to trend up again next year by an amount that could nearly offset a decline in private business investments.

It is true that a sharp contraction of business inventories, if it came on top of a decline in business investments in new plant and equipment, could well tip the balance in the economy on the down side. However, inventory policies have been rather conservative this year, and unless consumer spending should considerably weaken next year — of which there is as yet no indication—no drastic cutback in business inventories is as yet foreseeable.

Consumer Spending

Speaking of consumer spending, it has been relatively moderate for some time as far as durable consumer goods are concerned, such as automobiles, TV and other appliances. It is important to realize that the bulk of the heavy installment credit taken out in 1955 car purchases has by now been repaid, and that more recently aggregate installment repayments have been running neck to neck with new installment credit extensions.

If and when an initial agreement on disarmament should ever be reached, it will only have a slow and moderate impact on defense spending for some time, not enough to be a major determinant in our economic trends. As to the Congressional economy drive, it seems far more vociferous than effective.

Tight Credit Policy

The Federal Reserve Board's policy remains one of the key factors in the present tight rope that our economy is still walking between inflation and deflation. For some time the Federal Reserve Board has tried to keep these inflationary pressures down through a policy of relatively tight money. Federal Reserve credit—which is the primary credit base in our system—has been kept nearly stable around a level of $25 billion, and member bank borrowings at Federal Reserve banks for some time have persistently exceeded excess reserves by anything between $40 and $700 million.

Nevertheless, inflationary impulses obviously continue, especially those coming from periodical demands of strong labor unions for wage increases, which exceed improvements in productivity; politically, no effective barrier against this sort of thing is yet in sight. To the extent that sellers' markets still continue in various industry lines, they are adding fuel to the cost-price upward spiral.

Unfortunately, some of the main inflationary pressures operating in our economy are not being directly reached, or not sufficiently, by a tight money policy; consequently, inflation has made some further progress, with commercial bank credit expanding about four times as fast during the last 12 months as industrial production, and with wholesale commodity prices rising nearly 3½% during that period.

Prevents Faster Inflation

Nevertheless, it can be assumed that tight money and declining corporate liquidity have prevented inflation from progressing faster than it probably would have done otherwise. Unfortunately, the tight money policy of the Federal Reserve Board will have to be recurrently punctured and somewhat relaxed in order to accommodate the Treasury's recurrent massive needs for funds. Lately the Federal Reserve has been easing the money markets through open market purchases of bills in order to faciliate the raising of funds for the Treasury.

All this adds up to an incomplete anti-inflationary stand by the monetary authorities, apt to slow down rather than eliminate inflationary pressures.

Security Market

The security markets are currently characterized by the fact that high-grade bond yields exceed the average yield of good-grade stocks, and that the latter are currently selling at relatively high ratios in relation to current and immediately prospective earnings.

Specifically, high-grade bonds have recently been marketed to yield about 4½% to maturity, and good medium-grade obligations become available at yields up to 6%; on the other hand, the Dow-Jones average is currently yielding about 3.83% on 1956 cash dividend payments, and may yield about 3.9% on estimated 1957 payments. Currently around 515, the Dow-Jones industrial average is priced about 15½ times 1956 earnings, and perhaps 15 times estimated 1957 earnings.

Growth "glamour" stocks, with the exception of paper stocks, have come back to pretty high levels, and quite a few electronic and other growth stocks are currently selling at between 25 and 40 times current earnings. The continued firmness in the stock market is partly seasonal — it usually develops in July and August—and may also partly be influenced by the Federal Reserve Board's temporarily easing up on money conditions in preparation for the August Treasury roll-over.

Vulnerable Stock Market

Basically, it is fear of continued inflation that today furnishes the support for the equity market on its present rather high level. Although from a long-range viewpoint such fear probably continues to be well justified, there is hardly any doubt that sooner or later the long-term inflationary trend will again be interrupted by a moderate business recession. If and when indications of such a recession should grow, the stock market at its present level would be vulnerable. Consequently, even though no business recession is as yet in prospect, a somewhat cautious attitude toward the ebullient stock market seems advisable. It may be a good idea to turn for long-term investments somewhat more to industries where activities and/or profits have recently undergone a temporary cyclical (in contrast to chronical) decline, such as certain residential building stocks, paper, copper producers TV and radio stocks and rails.

The Supreme Court's Challenge To State's Rights and Security

By LOUIS C. WYMAN*
Attorney General, the State of New Hampshire
President, National Association of Attorneys General

Head of States' Attorneys General strongly castigates the recent decisions of the Supreme Court for equating lawful politics with Communism. Claiming the Supreme Court has set us back 25 years in fighting subversives, New Hampshire's state prosecutor also states it has "sanctioned protection of the dark corners of individual association with persons disloyal to America . . . [and hindered] the taking of sworn testimony relating to subversive activity. . . ." Mr. Wyman refers to the recent majority opinions as an exercise of "some sort of civil liberties phobia"; asserts it has destroyed State-Federal cooperation; and contends never have we descended to as low a point nor brought about such a dangerous instability and lack of judicial and governmental confidence. Proposes four courses of action and asks for sharp definition of Fifth Amendment as remedial measures.

No matter the precise phrase, there is little doubt but what that great instrument through which Americans have devised perhaps the most satisfactory method of community living under a government of law and not of men, is being tortured out of all rational historical proportion by decision after decision of the United States Supreme Court.

These decisions in their accumulative aspect seek by fiat of five appointed Justices to substitute a philosophy of government potentially contrary to that contemplated by George Washington and the great figures of our early Constitutional period. Such fiat involves certain basic assumptions concerning what is best for the American Way of Life and through these decisions in effect amend the Constitution to the point of usurping what has heretofore been considered as the proper function of the Constitutional Convention in our pattern of government. Such decisions must further confound and confuse our youth who seek and deserve real understanding of the true relationship between the State and individual, between Communism and Capitalism. In recent years, even months, this country has witnessed the curious phenomenon of a Supreme Court decision on one day and a bill in Congress to set it aside on the next. Were such measures and developments peculiarly local in isolated cases they would be readily understandable, but protests and outcry against these decisions have mounted from North to South and from East to West, across the length and breadth of the United States. The most recent was that group of cases decided on June 17, 1957, the day which David Lawrence has aptly characterized as a "fateful one in American history."

Sees One-Way Bureaucratic Road

What was originally drawn as a compact between the States to create a Federal Government with certain express powers which were delegated in the compact—called a Constitution—threatens by decision of the High Court to become a one-way ticket to a Federal Bureaucracy in which the position and authority of the individual States becomes less and less with every passing year. No one questions that the powers expressly granted to the Federal Government in Article I section 8, are powers best exercised by Federal authority for the common good. But when those powers are extended by the exercise of some sort of civil liberties phobia or underdog complex into the kind of decision that resulted in *Griffin v. Illinois*, or *Pennsylvania v. Nelson; Schware v. New Mexico; Konigsberg v. California; Jencks v. U. S.; Watkins v. U. S.; Sweezy v. New Hampshire* and *Yates v. U. S.* we face a common problem of the highest magnitude. This properly is the State's interest in its own survival.

The public record of Communist subversion both in this country and in many other countries around the World is notorious. It is equally notorious that responsible agencies within and without Federal and State Governments have repeatedly confirmed that the Communist Party in this country is an arm of the Communist Party in the Soviet Union with the objective of alteration of the form of government of the United States to a Communist state—whether or not through an intermediate step of socialism—to be attained by force and violence if necessary.

Views Communists' Membership As a Peril

If our United States is to have any semblance of realistic national security, not essentially by guns or even bombs but through awareness of possible subversion and non-forgetfulness of the absolute enmity to the principles of freedom which has always characterized World Communism, the Highest Court of the United States should not even hint that membership in the Communist Party is a mere matter of political association, much less hold, as it has in *Yates v. U. S.* that a subjective test is to be applied to advocacy of force and violence to overthrow the Government of this country and that the Smith Act permits advocacy of forcible overthrow short of incitement of direct action to that end.

A majority of the Supreme Court of the United States has held that at least as far as good moral character is concerned membership in the Communist Party is apparently considered a mere matter of political association privileged under the First Amendment. No matter protestations of words in the opinion to the contrary (as the dissent points out), one cannot read the Konigsberg decision without observing that this is exactly what the High Court has done by telling a State Court that on such a record there can be no reasonable doubt of the good moral character of an applicant for admission to the Bar who refuses to answer the question of whether or not he is a

Continued on page 2

*An address by Mr. Wyman before the National Association of Attorneys General, 51st Annual National Conference, Sun Valley, Idaho.

Resilient Cement Makes a Concrete Turn for the Better

By RODGER W. BRIDWELL
Paine, Webber, Jackson & Curtis, Santa Barbara, Calif.

Examination of ten leading cement companies leads Mr. Bridwell to conclude that the industry will soon complete the greatest expansion program in its history. Expects deferred demand, rising demand from highway construction and public works, and new uses to lift production to score another new record in 1957 for the 12th consecutive year. Believes producers are now in a position to supply any foreseeable demand, which is viewed optimistically comfortable "for another five years at least."

The Nation's Cement Industry will soon complete the greatest expansion program in its history. During the past 30 months plant capacity has, according to latest estimates, shot up an amazing 40% while three of the largest producers have increased capacity by more than 50%. Thus, in effect, the men who run the industry are betting close to a billion dollars that the country faces a new period of growth and prosperity.

R. W. Bridwell

This display of confidence is remarkable, to say the least, coming as it does at a time when building activity is in the doldrums. Residential building starts, for example, are running 17% below last year's pace, with overall building activity off some 6% based on latest available national figures. Moreover, there are few signs, as yet, that any concrete turn for the better is in sight.

Statistics alone, however, can be deceptive. The fact is that decreased building activity through April was due, in part at least, to bad weather conditions in most sections of the country which caused temporary postponement of numerous construction projects. Nevertheless, that perrenially favorite topic of conservation among politicians and lobbiests—What, if anything, should be done to help the building industry?—has been revived once again.

On one side are arrayed builders, prospective home buyers and expansion-minded executives; all of whom are clamoring for cheaper and more plentiful credit. On the other side stand the Federal Reserve Board and Congressional leaders who are charged with the responsibility of preventing further inflation and, for that matter, future depressions. So far only minor steps have been taken to help the industry. The Housing Administration has boosted the interest rate on FHA loans from 4½% to 5% and new legislation exists to permit smaller down payments on FHA guaranteed loans. But, despite these measures, institutions seem far from eager to invest in 5% real estate mortgages at a time when the yield on many AA corporate debt issues is equally attractive.

Highways and Public Works

Whatever the eventual outcome of the debate in Washington, cement men apparently feel that deferred first quarter demand coupled with rising demand from highway construction and public works should enable cement production to score another new record in 1957 for the 12th consecutive year. According to one estimate, 1956 sales of 309 million barrels should rise by about 5% this year. If this gain is realized, net income for most companies should improve by an equal or greater margin since rising costs have probably been more than offset by the price increases posted late last year.

Looking further ahead, the 41,000 mile Federal-Aid Highway Program of 1956 should effectively help iron out fluctuations in demand from other types of construction. Thus, the Bureau of Public Roads has estimated that highway construction will consume 94.5 million barrels of cement in 1957 and an average of 110 million barrels annually through 1969. The estimate for 1957 is undoubtedly on the high side since the vast program has gotten off to a disappointingly slow start. However, the estimated 70 million barrels eaten up by highway construction in 1956 will rise at least moderately this year and will continue to increase to a scheduled peak demand of 113.6 million barrels in 1965.

In addition to the requirements for new highways, conservation and flood control projects, new schools and hospitals, air field paving and public utility expansion programs, all will require increasing quantities of cement for many years to come. Then, too, a number of entirely new uses have been found for this age-old building material. Among the most promising is pre-stressed concrete which has, since 1950, replaced other construction materials to an increasing degree.

Supply Foreseeable Demand

The future, then, appears bright, indeed, for the cement producers, and, for the first time since the war, most companies are now in a position to supply any foreseeable demand. To illustrate, by July Lone Star Cement, the largest independent producer (first is U. S. Steel's wholly-owned Universal Atlas Cement), will have boosted domestic capacity **by more than** 50% since early 1955—from 24.3 million barrels to 36.9 million. Included in the increase is the production of Superior Portland Cement acquired in April which, incidentally, gives Lone Star its first outlet in the Pacific Northwest. The largest of the company's 15 plants are strategically located in Dallas, Houston and Nazareth, Pennsylvania. Moreover, Lone Star has the largest foreign operation in the industry with plants capable of turning out 11 million barrels located throughout Latin and South America. Unlike most of its competitors, Lone Star reported higher earnings for the March quarter, up from $.37 to $.45 per share which supports the prediction of President H. A. Sawyer, that expanded facilities should produce higher sales and earnings in 1957. Dividends have been raised in each of the past five years.

1956 Statistical Data—Leading Cement Companies

	Recent Price	1956-57 Price Range‡	Sales (Millions)	Per Sh. Earnings	Paid 1956	Current Yield
Alpha	36	47 -34	$44.8	$3.45†	$1.50	4.2%
General	66	75¾-50¼	45.3	4.58	2.25	3.3
Ideal	72	73¼-53	77.7	4.53	2.00*	2.8
Lehigh	38	58 -35¾	75.8	2.82	.95	2.5
Lone Star	38	39¼-25¾	98.3	2.23	1.10	3.0
Marquette	34	40¼-29¾	43.6	2.74	1.30	3.9
Medusa	53	70½-47½	37.5	5.04	1.80	3.4
Missouri	53	68½-46	20.4	5.15	1.90*	3.6
Penn-Dixie	34	41½-30¼	48.6	3.12	1.00*	2.9
Permanente	21	29¾-16¾	43.6	1.09	.51	2.4

*Plus stock. †Before adjustments applicable to prior years. ‡Adjusted for stock splits and dividends.

General Portland Cement

The growth of General Portland Cement has been even more spectacular. Sales, for example, have soared from $15.7 million in 1947 to $45.3 million last year while earnings per share jumped from $1.27 to $4.58 during the same 10 year period. The 35% increase in plant capacity during the past two years is only beginning to be reflected in overall results. Yet further substantial additions to capacity will be ready by 1958—primarily a new 2.5 million barrel plane in Miami, Florida. General should have little trouble in selling all it can produce since six of its seven plants are located in the fastest growing sections of Texas and Florida. General, like Lone Star, has paid higher dividends in seven of the past 10 years and another increase seems probable later this year as new facilities begin to contribute to earnings. Like most companies in the cement industry, there is no funded debt or preferred stock ahead of the 2,080,000 common shares.

In contrast to those companies which, up to now, have paid for new plants out of retained savings and depreciation reserves, Marquette Cement has financed its expansion program, in part, by issuing both bonds and preferred stock which, naturally, contributes moderate leverage to the common shares. During 1956 Marquette upped productive capacity by 22%, virtually completing the expansion program started two years ago. W. A. Wecker, President, recently stated that 1957 earnings should rise about 10% over last year's record-breaking $2.74 per share as new capacity begins to contribute to operating results.

Ideal Cement

Ideal Cement Co., the country's second largest independent producer (as measured by sales volume), came through with the best first quarter in the industry as earnings held steady at $.59 per share. The company's tremendous expansion program is reflected in this good showing. Last year, to illustrate, nearly $30 million was spent on new plant capacity and a similar expenditure is planned for this year. By the end of the year Ideal will be able to produce about 28 million barrels of cement or 16.6% more than in 1956. The company's 18 plants are well located in the fast growing Pacific Coast States and in the South.

Among the 10 companies surveyed, Penn-Dixie has also chalked up one of the widest gains in net sales, from $14.9 million in 1947 to last year's $48.6 million. A considerable portion of this growth is the result of acquisitions which, of course, usually requires a smaller capital investment than to build new plants with equivalent capacity. Despite this record of growth, Penn-Dixie management has managed not only to finance its expansion internally but actually retired outstanding senior capitalization, thereby strengthening the company's financial position. Sole capitalization today: 2.79 million common shares.

Since mid-1955 the dominant West Coast producer — Permanente Cement—has increased capacity by 57%, with the completion of the new 2.5 million barrel plant at Lucerne Valley, California, near Los Angeles. Permanente now supplies a single brand of cement to customers throughout the Western United States, Western Canada, Alaska and Hawaii. However, increased earnings from this expansion program have been largely offset by reduced activity of the gypsum division. As a result, 1955 net income of $1.11 per share slipped to $1.09 last year. Furthermore, unless residential building — currently off 19% in the company"s marketing area—picks up, it appears doubtful that net income will improve much this year.

Conclusion

The foregoing examples illustrate pretty clearly why cement capacity has finally caught up with demand for the first time since the war, and why, as one cement company official recently pointed out, supply is likely to hold comfortably ahead of demand for another five years at least. To be sure, this overnight reversal from a sellers to a buyers market has caused some investors to view the industry with misgivings. And, while no one can say for sure, as yet, whether or not the industry has planned ahead too optimistically, some excess of capacity is normal and desirable. On the credit side, it is reassuring to recall that, historically, long-range industrial over-expansion has been the exception rather than the rule. More common has been the lack of vision to prepare for the nation's tremendous growth. One thing at least is clear; the cement industry has backed with cold cash its confidence in the bright future of the building industry.

R. L. O'Brian Opens Own Investment Office

BUFFALO, N. Y. — Roland L. O'Brian has opened offices in the Liberty Bank Building to engage in the securities business. Mr. O'Brian was formerly a partner in O'Brian, Mitchell & Co.

J. R. Denworth V.-P. Of H. A. Riecke & Co.

PHILADELPHIA, Pa. — J. R. Denworth has been appointed a Vice-President of H. A. Riecke & Co., Inc., 1519 Walnut Street, members of the Philadelphia-Baltimore Stock Exchange.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Donald A. Gorr is now with State Bond & Mortgage Co., 28 North Minnesota Street.

Harris Secs. in NYC

Harris Securities Corporation is now doing business from offices at 79 Wall Street, New York City.

With Fahnestock & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — John E. Hart is now with Fahnestock & Co., 75 Pearl Street.

Shearson Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Robert R. Tarala has been added to the staff of Shearson, Hammill & Co., 37 Lewis Street.

Diagnosis and Remedy For the Housing Plight

By DR. ROBINSON NEWCOMB*
Robinson Newcomb Associates
Washington, D. C.

Prospects for housing under current conditions and suggestions designed to remove impediments hindering housing growth from attaining expected levels are presented by prominent Washington, D. C., economist. Dr. Newcomb projects a demand for at least 1,200,000 houses a year and doubts more credit would be required than that used in 1955, but admits today's competitive demands requires better housing analysis, pricing, designing and location, as well as—and not merely—making funds available. Recommends: (1) removing "Iron Curtain" around some long-term credit institutions; (2) freeing of interest rates; (3) low liquidity ratio; and (4) accelerating savings flow from mutual, pension and retirement funds into housing market. Asserts institutions must keep abreast of changing economic needs or "we shall have a volume of housing fit for 1937."

The cessation of growth in the volume of home-building is not the result of lack of demand, measuring demand by what people are willing and able to buy.

Dr. R. Newcomb

Trends in demand can be discovered in many ways. One of the simplest of course is the measurement of vacancies, and the noting of trends in prices and rents being paid for existing properties. Such measurements indicate that there is a strong market for housing. They do not measure just how strong the demand is. Table I suggests one method of measuring this demand.

Projects Housing Demand

The projections of the total number of households in this table for 1955-1959 are based on detailed calculations of total household formation and are shown in a technical appendix, available for the record.

The data on the distribution of the growth in the number of households by income groups are based on government material. The methods used here too are described in the technical appendix.

The left side of the table relates the volume of home-building, as indicated by the BLS, to income and household growth in 1955. The right side of the table suggests how many houses should be built just to take care of the demand resulting from the growth in the number of households by income groups, assuming no change in the proportion of incomes going to housing from 1955 to the present. If an arbitrary figure of 100,000 is used for the market for houses costing under $10,000—and this is probably too small—the market would absorb at least 1,200,000 houses now. That would permit the demolition, abandonment, or conversion of only about 350,000 houses—which is still a small number for our economy.

I obviously cannot describe this or other methods of calculating demand in detail, in this paper, so I would refer to the technical material, and merely state here that it is my judgment that there is a sound market for at least 1,200,000 houses a year today.

Such a volume would not require increased amounts of credit—at least it would not require more than was used in 1955, but such a volume would require much better matching of the supply of new houses to the demand.

Competitive Demands

The market for housing is obviously competitive today with markets for other goods or services, such as automobiles, vacations, or rehabilitation of existing properties. Most, but not all, families are well enough housed now so they can choose between improving their housing, getting a bigger automobile, taking a more expensive trip, or improving the house in which they are currently living. When a salesman for automobiles, for travel, or for do-it-yourself remodeling materials can do better than the salesman for housing, or when the price of these competitive items is better than the price tag on a new house, some families who otherwise could be improving their housing standards may shift their expenditures elsewhere.

A large operator-builder with whom I spent some time recently complained strongly about the weakening of the market for his houses. An associate made a relatively scientific analysis of what the market was in the area where he was building, of who was buying his houses, and of the families to whom he was trying to sell. It was discovered, for instance, that the families to whom he was making the appeal did not have the income for the houses he was building, and that while he was directing his sales efforts to home-owners whom he thought were prospects for upgrading, most of the sales were made to renters. He had a market for the houses he was building but that the market was among a different type of families than those he was soliciting. There was a housing market too for the families he was soliciting, but the houses he was selling did not fit that market.

Credit Is Not the Answer

Careful market analysis and careful pricing are necessary if 1,200,000 houses are to be sold. Merely making funds available will not mean that this volume will be sold. But if the market analysis is properly made and the houses are efficiently designed, located, built, and priced, then the availability of credit adequate for 1,200,000 houses would, I believe, result in such a volume of construction.

It should be feasible to provide an adequate amount of funds without feeding inflation. The total money supply in the market as a whole will be greater in 1957 than it was in 1955. And a smaller net flow of credit to housing would be needed to provide 1,200,000 houses this year than was needed to provide the even larger volume of housing in 1955. This is the case in part because repayments to mortgagees on the existing mortgage debt of over $100 billion are running appreciably higher than the repayments on the mortgage debt of something over $75 billion two years ago.

This point may be worth a moment for elaboration. The sale of 1,200,000 homes at the average price of $16,000 would yield an aggregate transaction value of $19.2 billion. At the same time, the market would require the sale of about 2,200,000 existing houses. At average transaction value of $11,000, this would mean $24.2 billion. These two categories together would result in a total transaction value of roughly $43.5 billion. These transactions in 1955 were probably in the neighborhood of $42 billion.

Assuming a total mortgage-to-transaction relationship for new housing of 57% (the same ratio reported for 1955), and of mortgages on old houses of 55% (as reported for 1955), and allowing for the mortgage-writing on existing houses for purposes of improving the housing or for other reasons exclusive of sale, of $5 billion, the following mortgage-writing would be required in 1957 to support a 1,200,000 new 1-4 family house sales:

(Billions of Dollars)

	1957	versus	1955	
Mortgage debt required for new	$10.9		$10.2	
Mortgage debt required for old	13.3		13.3	
Mortgage debt, 1-4 family houses, other purposes	5.0		5.0	
Total new mtge. debt required	$29.2		$28.5	
Total debt repaid in 1957	17.0	(17% rate)	16.1	(21% rate)
Total increase in 1-4 family mortgage debt	$12.2		$12.4	
			($11.1 in 1956)	

This 1,200,000 volume of new house sales would therefore require no more, and possibly less, net new credit than the $12.6 billion the economy provided when going at a somewhat lower level in 1955.

Increase in Non-Home Mortgages

It would appear that there is enough credit extant to support such a volume if it could be tapped. The total flow of funds for investment purposes, including mortgages, has been increasing, while the flow of funds on mortgages to 1-4 family homes has been decreasing, as shown in Table II.

This table is based on the Investment Outlook reports of the Bankers Trust Company. The estimate of the flow of investment funds to non-financial organizations for 1957 is revised upwards from the $8.5 billion as originally published because the sale of new capital issues floated in the first four months of this year were nearly 50% greater than in the first four months of last year. This, and other facts, suggest that a small upward revision of the figure originally published may be in order.

Flow of Credit

The flow of credit to 1-4 family housing is dropping, while the total flow is rising, in part because of the fact that investment funds are now going more heavily to institutions which do not emphasize writing mortgages on 1-4 family residential properties. This is shown in Table III.

This table suggests that the flow of funds to institutions not emphasizing home mortgages rose slightly in 1956 and may rise by $1.6 billion, or 14%, in 1957. The flow of funds to mutual savings banks and savings and loan associations rose by about $1 billion in 1956, and are forecast to drop by $1 billion, or about 14%, in 1957. While the flow of funds to these two institutions was 65% of the flow to the other institutions listed in 1956, it may be down to about 49% in 1957.

This may understate the seriousness of the decline because there was a greater possibility of shifting funds in 1956 than there may be in 1957. Mutual savings banks, for instance, could sell governments more freely in 1956 than they probably can in 1957, so the decline in resources available for home-mortgage financing may be greater than suggested in this table. If, as the Bankers Trust Company suggests, we have only $9 billion with which to finance net new home-mortgage writing in 1957, it may be difficult to finance much more than a million 1-4 family housing units this year. Should the available new mortgage money come to only $8 billion, it may be difficult to finance much over 900,000.

The data for the first three months of 1957 indicate the Bankers Trust Company has not overdrawn the situation. The new flow of funds to savings and loan associations through March, for instance, was lower than it was a year ago, and actually 12% lower than it was in 1955. Money is not flowing as freely as formerly into mortgage markets.

In order to finance a million units with the possible $9 billion of net new mortgage money we may get this year, we would have to assume no increase in the purchase of existing houses with credit, or no increased mortgage borrowing to improve existing houses by families who find themselves unable to buy new.

It is possible also that we will not have $9 billion in new mortgage money because that figure assumes that about $17 billion will be paid off on existing mortgages. In view of the increase in interest rates and the difficulty of financing, it may be that mortgagors will not repay existing mortgages as rapidly this year as they did last. Should repayments drop to approximately 16% of the amount outstanding at the first of the year rather than 17%, the net flow of

TABLE II

***Flow of Investment Funds by Use**
(In billions of dollars)

	1955	1956	Anticipated 1957
Non-financial corporations	$6.1	$7.6	$9.0
Other than 1-4 family mortgages	3.5	3.8	5.0
State and local debt	3.4	3.2	3.7
Total	$13.0	$14.6	$17.7
1-4 family mortgages	12.4	11.1	9.0
% 1-4 family mortgage of other flow	95.4%	76.0%	50.8%
Grand Total	$25.4	$25.7	$26.7

*Based on Bankers Trust Company studies.

TABLE III

***Flow of Funds by Institutions**
(In billions of dollars)

	1955	1956	1957
Life insurance companies	$6.3	$5.7	$6.0
Corporation pension funds	2.0	2.2	2.3
State and local retirement funds	1.3	1.4	1.5
Time deposits, commercial banks †	1.7	2.1	3.2
Sub-total	$11.3	$11.4	$13.0
Mutual savings banks	$1.9	$1.9	$1.5
Savings and loan associations	5.4	5.5	4.9
Sub-total	$7.3	$7.4	$6.4
Ratio mutual savings banks and savings & loan to others	64.6%	64.9%	49.2%
Grand Total	$18.6	$18.8	$19.4

*Based on Bankers Trust Company studies. †If the new interest rate permitted on FHA loans proves attractive enough, the projected increase in these time deposits for 1957 may support an increased volume of FHA insured lending.

TABLE I

***Growth in Number of Households by Income Groups (in 1955 dollars) vs Market for Houses**
(Using income average distribution for five-year periods)

	1955			1957 or 1958			
Income Group	†Growth in Number of Households (—000's)	House Building	Ratio Building to Household Growth	‡Growth in Number of Households (—000's)	Building Market	Ratio Building to Household Growth	Cost Group
$4,000–$5,000	220	234	106	00	100	---	Under $10,000
$5,000–$7,500	620	592	95	550	550	100	$10,000–$15,000
$7,500–$10,000	225	305	136	350	350	100	$15,000–$20,000
$10,000 and over	115	134	117	200	200	100	Over $20,000
Total in groups gaining	1,180	1,265	107	1,100	1,200	109	
Loss in groups losing	230	¶950		250	¶850		
	950	§315		850	§350		

*SOURCE: See text. †Distribution based on average rate of growth in each category from 1950-54. ‡Distribution based on average rate of growth in each category from 1955-59. ¶Net gain. §Surplus.

*A statement by Dr. Newcomb before the Subcommittee on Fiscal Policy, Joint Economic Committee.

funds to the 1-4 family mortgage field might come to only $8 billion. This might underwrite a new housing volume of approximately 900,000 rather than a million units.

It is obvious that under current conditions the total flow of investment funds will be greater this year than last year, while the flow available for housing will be less. One of the main problems for the housing segment of the economy therefore is that of facilitating the flow of funds from institutions which are now getting more of personal savings than formerly back into the mortgage field.

Flays "Iron Curtain"

This problem is aggravated by what has been called an "Iron Curtain" around some of our long-term credit institutions. The flow of savings over a period of time to savings and loan associations, for instance, may exactly match the need for mortgage funds from these institutions. But at times it may be in excess, and at other times it may be short of needs. The opportunities for savings and loan associations to secure funds are limited rather rigidly and almost entirely to flow of funds from individuals in the form of deposits, or the equivalent. When this flow is larger than these organizations can handle through their normal mortgage operations, the interest rate on mortgages may drop. When the flow of funds is not adequate, interest rates on mortgages can rise quite markedly. Nevertheless, savings and loan associations cannot easily go into the open market to get more funds to supply the mortgage needs.

Interest Rates

In order to make it possible for money and credit to flow to the mortgage mart when it is needed, this "Iron Curtain" must be removed and interest rates must be as free as the rates in the remainder of the market.

Any control over interest rates should be a function of over-all policy rather than control in one limited area only. When the attempt was made at the end of World War II to control the price of some building materials going into houses, it was discovered there was a tendency for these building materials to go elsewhere rather than into housing. If all prices had been controlled, it might have been possible to get an adequate flow of building materials to housing, but when it was less profitable to divert resources to housing than elsewhere, housing suffered. So, today, the effect of price control on certain types of mortgages has been to reduce the opportunity for individuals to choose between buying houses at higher interest rates and buying automobiles at higher interest rates, for instance.

Funds are flowing to institutions handling consumer credit, and the individual can buy automobiles if he chooses to pay the higher rate these institutions can command. He does not have that option with housing. So controlling interest in one segment of the economy only tends to mean not that individuals get more housing cheaper, but that they get fewer opportunities to buy houses.

Finds Liquidity Ratios Too High

I would like to raise one more point which I think is vital but which is not very often discussed. Many of our current financial institutions were created or altered after 1929. The frame of reference in which some of them were created emphasized the need for high liquidity as protection against loss. That was a frame of reference designed for a depression economy. The frame of reference in which we can have healthy growth with stability is quite different. Healthy growth requires both the flow of credit and of savings to and from the areas of shortage and surplus, and the most effective use of the savings flowing to each institution. The best use of savings does not mean that each institution should attempt to protect itself against depressions. Should a depression occur, a high liquidity would not be of much value. Over-all steps would have to be taken to stop the depression. The existence of high liquidity ratios would not save the day.

If we provide for a healthy growth, the chances that a depression will come will be reduced. If all institutions have a high liquidity ratio, development of this ratio could slow down healthy growth and tend to create the condition against which high liquidity was designed to protect. It could then be argued that the need for high liquidity had been proven.

Governmental agencies have not been particularly helpful in facilitating the flow of funds between institutions. Neither has it been easy for them to forget that liquidity needs of depression days need not control the growth needs of a more prosperous era. Past actions of the Home Loan Bank, for instance, have discouraged borrowing and at the present time the Bank is attempting to make savings and loan associations more liquid. Commercial banks, which make relatively fewer mortgages, have been getting less liquid, while savings and loan associations were becoming more liquid.

Changing the Savings Flow

The important home-finance problem today therefore is not liquidity, but finding means for accelerating the flow of savings from growing institutions such as mutual investment funds, pension funds, retirement funds for state and local governments, into the housing market, and for making the most of these funds once they reach mortgage institutions. The housing market must not be left to depend primarily upon the direct flow of savings to agencies which emphasize mortgages.

This may be expressed in another fashion. To use savings and loan associations as an example: in 1940 the equivalent of about 5% of the personal savings went to savings and loan associations. This grew rapidly to about 30% in 1955. It dropped to about 24% in 1956, and may be down to 20% in 1957. With a growing preoccupation with inflation, and with the increased promotion of the stock market and of mutual investment funds, it is natural that families should be more conscious of opportunities to invest in stocks and bonds. They should have this opportunity. But if they do shift their investing habits, there should be counter changes to make it possible for institutions benefiting from this new investment pattern to participate in the financing of the volume of housing the economy needs. Should savings become institutionalized, that is, should they go only to institutions who loan them to corporations and institutions only and not back to people as in the form of mortgages, housing will be in bad shape. A little imagination and possibly very little legislation will make it possible to balance the flow of funds in both directions.

I suspect that the problem of keeping institutions abreast of changing economic needs is one of the greatest challenges the government and the economy faces. Unless we have institutions fit for 1957, we shall have a volume of housing fit for 1937.

Jack W. Speer Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jack W. Speer is engaging in a securities business from offices at 8909 Wilshire Boulevard.

Drawbacks in Retirement Plans

By ROGER BABSON

Financial expert points out that while system helps junior employees' chances for promotion, they are indirectly contributing to support of those being retired. Advocates frequent substitution of semi-retirement plan instead of full retirement. Warns pensioners against putting money into a new business, and disapproves of working for a competitor.

The present system of retiring faithful and efficient workers is probably good for the junior employees. It gives them a better chance for promotion. But the younger ones must indirectly contribute to the support of those being retired through paying one half of their Social Security and other benefits. Someone must pay the bills.

Roger W. Babson

Every Case Different

In many cases compulsory retirement is a blessing to all concerned. Many workers are physically unuable to continue at their usual manual labor or even at office work. This, however, does not justify children putting such parents into nursing homes. This procedure is becoming too common. There is money in nursing homes for the operators; but they are sad places to visit. When I see children ruthlessly put a parent into a nursing home, it makes me feel very sad.

It seems as if some semi-retirement, or half-time plan could often be used instead of full retirement. When I discuss this with employers they state that such an arrangement would upset their "stream lined" production system and their efficient office systems. This may be true in a few cases; but if this half-time arrangement were applied to all competitors, no one concerned would be handicapped.

Longer Vacations

Another suggestion is that retirement systems be based upon longer vacations, in both summer and winter. Instead of a worker going on half-time by working half a day every day, he could work all day when going to the plant or office but take two months off in summer and two months or more off in winter.

With some businesses this would be a less disrupting method of adjustment; but other industries be more of a handicap. Therefore, why not amend the retirement regulations to give corporations their choice? Undoubtedly, labor unions would want to be a party to such decisions; but that, too, could be worked out.

An Important Warning

The most valuable advice which I can give to readers who are approaching retirement is to avoid the temptation of going into business for themselves. If you want to take a salaried job with some other concern this is OK, provided it is not a company competing with the one from which you are retiring. Certainly it is bad ethics to retire from one company on a pension and then work for a competitor or start in business yourself as a competitor. In my opinion, this comes close to plain dishonesty.

I issue a special warning against starting or putting any money into a new business of any kind. I have seen thousands of cases where able retired persons have lost, **after** retirement, the money which they had earned and saved **before** retirement. This applies equally as well to successful businessmen as to employees. They have thought that because they made a success of one business, they could make a success of some other business. This has often proved a costly mistake.

Luck vs. Ability

Although these men had business ability when operating the business from which they had retired, their success was not due entirely to business skill. Other factors contributed to that success. A man may have entered his former business when the industry was young. The times, political atmosphere, or tax system, may now be very different. They may have operated at a different period in the business cycle, but styles and demand for the prouct may by now have completely changed. The person himself may be less vigorous or progressive due to advanced age; while competition is now such that more vigor and capital are needed.

I especially warn retired persons not to go to California or Florida or to some other booming state unless they can count on a check of at least $200, besides Social Security benefits, coming from home each month as a pension or as interest or dividends. Also, before you take **any job anywhere** after retirement, ascertain how it will affect your Social Security and other benefits. In most cases, if you earn more than $1,200 per year you will lose your Social Security.

Joins Geo. C. Lane

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Llewellyn G. Pease has become affiliated with George C. Lane & Co., Inc., 70 College Street.

With White, Weld

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — H. G. Spencer Smith is with White, Weld & Co., 74 Elm Street. He was formerly with Smith, Barney & Co.

Two With Sheffield

(Special to THE FINANCIAL CHRONICLE)

NEW LONDON, Conn.—David F. Putnam and Bruce C. Shepard are now connected with Sheffield & Company, 325 State Street.

Joins Burton Vincent

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Illinois — Harry L. Murphy has joined the staff of Burton J. Vincent & Co., 105 South La Salle Street.

With Hill Darlington

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—K. H. Dunton has become associated with Hill, Darlington & Co., 31 Milk Street. Mr. Dunton was formerly New Hampshire representative for Lamont & Company.

Hodgdon Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — John P. O'Connor is now affiliated with Hodgdon & Co., 10 State Street. He was previously with Jackson & Company.

Two With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—David J. Donnelley and Douglas T. Putnam have joined the staff of Paine, Webber, Jackson & Curtis, 24 Federal Street.

Monetary and Fiscal Policies Accompanying Reduced Budget

By JAMES TOBIN*
Professor of Economics, Yale University

Yale University economist assumes, without being in favor of it, a budgetary reduction in order to dissect three alternative combinations of monetary and fiscal policies. Professor Tobin discusses proper equilibrium level between the two components of private wealth—liquidity and capital components; depicts debt retirement as deflationary and apt to require offsetting easier money and credit; and points out that easy money policies encourages state-local governmental investments as well as private whereas tax concession to encourage investment, without changes in personal income tax, budget surplus and monetary policy, favors only corporations.

I shall examine the implications for monetary and fiscal policy of a reduction in Federal Government expenditures below the budget proposed by the President for fiscal 1958. The wisdom of such reduction is not the issue here, but I would like to make it clear that I do not regard the proposed budget as excessive. I do not sympathize with the assumption of budget reduction that I must take as the premise of this discussion. Since the President's budget proposal is taken as a point of comparison, the "changes" I shall discuss in monetary and fiscal policies are hypothetical. They are differences from the policies that would be appropriate if the President's budget were adopted, rather than differences from policies currently in force. Whether present monetary and fiscal policies could remain unchanged either under the President's budget or under a reduced budget is another question, which I shall not attempt to answer. The answer depends mainly on the short-term business outlook, on which the Subcommittee on Fiscal Policy of the Joint Economic Committee has already received both material from the staff and the testimony of experts.

James Tobin

A reduction in Federal expenditures for goods and services will release productive resources for the use of households, business firms, and state and local governments. The first and most obvious task of fiscal and monetary policy is to make sure that the released resources are not wasted in unemployment. They must be absorbed in some combination of three basic uses: private consumption; private investment in plant, equipment, durable goods, and inventories; capital projects and current services of state and local governments. Fortunately there are a number of ways of ensuring that resources released by the Federal Government will be absorbed in useful employment. Choices among them, therefore, can and must be made on the basis of additional criteria.

Without attempting to exhaust possible relevant considerations, I shall discuss two additional criteria: (1) the allocation of resources between current consumption and investment for the future, and between private uses and public uses; (2) the effects of current policies on the feasibility and flexibility of future stabilization policies.

Three Alternative Policies

I shall discuss three alternative combinations of monetary and fiscal policies. These are pure types, and they can be blended in application to the extent it is desired to comprise among their objectives and consequences. The three pure policies are:

(1) **Reduction of personal income taxes, especially in the low-brackets, to the extent necessary to expand private consumption by the full amount of the reduction in Federal expenditures.** Since some fraction of increases in after-tax incomes will be saved, the loss of tax revenue would have to exceed somewhat the reduction in expenditures. Tight money policy would continue to restrict investment.

(2) **Maintenance of taxes, increase in the Federal budget surplus, and relaxation of monetary and credit controls.** The objective would be to keep consumption down and to permit the released resources to be absorbed in investment by private business and by state and local governments.

(3) **Tax concessions to encourage investment, maintenance of personal income taxes to restrict consumption, no change in budget surplus or in restrictiveness of monetary control.**

The case for a large proportion of policies (2) and (3) in the final blend is essentially the case for investment against consumption. Present consumption levels for the bulk of our population must certainly be regarded as highly satisfactory in the perspective of our own past and the rest of the world's present and future. The speed of growth of the productive strength of our economy depends on the rate of private and public accumulation of productive capital. The need to increase this rate is accentuated to the extent that economy in the Federal budget is achieved at the expense either of direct Federal capital accumulation or of Federal contributions to investment projects by other governments and private firms. For example, failure of the Federal Government to assist directly the school construction programs of state and local governments argues for lowering the costs at which these governments can borrow.

The second criterion is the bearing of current policies on future prospects for economic stabilization. Some current policies might conceivably maintain full employment and avoid inflation today only by making it more difficult to find policies that will achieve these objectives in the future. This consideration applies principally to the blend between policy (2) and policy (3), because policy (2)—budget surplus offset by easy money—is one that may reduce the policy alternatives available in the future.

Defines Private Net Worth

Budget surpluses have cumulative and enduring monetary effects of a restrictive kind; these effects are in addition to the more obvious and transient fiscal effects of a budget surplus in reducing disposable income at the time the surplus occurs. The restrictive monetary effects arise from the fact that reduction in the national debt diminishes the liquidity of private wealth. By private wealth I mean the aggregate net worth of private individuals and institutions. Many private assets are, directly or indirectly, also private debts; these assets and debts cancel each other in aggregating the net worth of the population. Aggregate private net worth is the sum of two components: (a) net claims, both interest-bearing (the national debt proper) and non-interest-bearing (coins, silver certificates, and gold certificates) against the National Government, (b) the nation's privately owned capital stock, i. e., the privately owned tangible productive resources of the society. The balance between these two components of private wealth — the liquidity component and the capital component—is, in my view, a matter of great importance for the stability and growth of the economy.

The inflation after World War II provides a case in point. At the end of the war private owners of wealth held much larger stocks of liquid claims, relative to the existing stocks of producers' and consumers' capital, than they would normally wish. The subsequent inflation may be interpreted as the results of their efforts to correct this imbalance. These efforts continued until rises in prices and the growth of the capital stock had lowered the liquidity proportion of private wealth to a tolerable level.

The opposite kind of imbalance could result from a persistent policy of Federal budget surpluses. The capital stock would be growing; indeed, under policy (2) its growth would be stimulated by measures designed to restrain consumption and encourage investment. At the same time, retirement of government debt would be diminishing the supply of net liquid claims. The community can be expected to accept this secular increase in the size of the capital component of wealth relative to the liquidity component only if it is accompanied by a corresponding increase in the relative attractiveness of capital as a vehicle for holding wealth. To find willing holders of the expanding capital stock, the Federal Reserve would have to keep reducing the yields on liquid assets and increasing the availability of credit to venturesome borrowers. This policy would be an especially difficult one to effect if the accumulation of capital itself tends to depress the prospective rate of profit on new investment.

Terms Debt Retirement Deflationary

There are of course circumstances where the deflationary effects of diminishing Federal debt would be a welcome antidote to strong inflationary forces. But within the international political environment and the national economic climate we now seem to have, the deflationary effects of debt retirement would have to be offset by a long-run trend towards easier and easier money and credits. While the total debt would be falling, Federal Reserve holdings of government debt would probably have to rise in order to expand the volume of bank reserves. There are limits to the powers of the monetary authorities to make credit effectively easier. Some limits are legal and institutional; they concern such matters as the reserve requirements of Federal Reserve Banks and member commercial banks, which could be reduced by Congressional action. Other limits are economic; in the 'thirties the excess reserves of the commercial

Continued on page 33

*Statement by Professor Tobin before the Subcommittee on Fiscal Policy, Joint Economic Committee, Washington, D. C.

Depression-Proof Real Estate: 1929 Compared to 1957

By NORMAN TISHMAN*
President, Tishman Realty & Construction Co., Inc.

A leading real estate head denies real estate business of today is "cyclical" or speculative as compared to the 1930's. Mr. Tishman maintains and points out the drastic changes which have occurred since then have eliminated "practically all of the items of instability which plagued the 'project' creator in the 20's . . ." Explains how long-term leases by large, responsible tenants, with escalator clauses, lower land acquisition costs, and other sounder financing, provide real estate stability and ability against depression that did not exist heretofore.

In my opinion the real estate business is not "cyclical" or speculative because the whole nature of the business has changed materially — and all for the better.

Norman Tishman

In the 1929 era, the acquisition of land was undertaken well in advance of a project and required a maximum of capital. Either the land was purchased for all cash or it was bought subject to a mortgage that carried with it financing costs and required substantial cash equity.

Today, title to land is usually taken only when building operations are about to commence, with a minimum amount of cash tied up during the period while plans are being drawn and materials and subcontracts purchased.

Also, it has become an accepted practice for builders to lease land for long periods of time up to a hundred years. Under such procedure, no capital is invested in the land at all. There is merely the obligation to erect a specific improvement on the land and to pay rent in a specified amount when the improvement is completed. Further, the rental paid on non-depreciable land is fully deductible in computing taxable income.

Sounder Financing Today

In the **1929** era, financing was limited to mortgages based on appraised value of the land and buildings to be erected. For the most part, such mortgages were limited to two-thirds of the appraised value and seldom exceeded 75% of actual cost of major properties. This required not only a substantial amount of the builder's equity in the completed property but meant maintaining a substantial amount of equity for a number of years before being able to withdraw it out of operating profits after taxes.

If second mortgages were used to augment the financing, the interest terms were excessive and the pay-out on the second mortgage was short with the result that although the builder had less equity in the property it was a longer period of time before that equity could be withdrawn.

Finally, many companies resorted to regular bank loans to augment their financing. Such loans reduced capital invested, but jeopardized the equity, since they were subject to almost immediate call.

Today, the situation has changed dramatically. Mortgagees have added a new dimension in their appraisal of property. In addition to their appraisal of the value of the land and the physical value of the building, they justifiably appraise that which is not real estate at all—but personally—the signatures of the tenants on the leases.

In 1929, corporations and individuals signed leases of three to five years, and anything beyond that was a rarity. Of equal importance was the fact that 10,000 to 20,000 square feet of space was considered a large occupancy.

Today, it is standard for large corporations to sign leases for 15, 20 and 25 years, and a great number of corporations require from 50,000 square feet of space to 250,000 square feet. They have found it efficient to have all of their offices together in one location and super-efficient to have their operation concentrated on one or two large floors, if possible. They have also found an advertising benefit from having a building named after them.

This combination of the financial worth of the corporation and its signature on a long lease for a large amount of space makes these leases a valuable and appraisable item for the mortgagee. And properly so. After all, the signature of a General Motors to pay an amount of money every month for 20 years is good enough to get it credit in the amount of such payments at a bank. That same signature on a lease is just as good and justifies just as much credit.

Today's leases, coupled with efficiency in building, result quite often in larger mortgages which leave the builder with far less equity in the property than was true in 1929. Further, by virtue of the mortgages having constant amortization and interest requirements, the equity holder annually increases his equity at a faster rate than heretofore.

Sale-Leaseback

In the **1929** era, the sale-leaseback transaction, I believe originated by us in 1947 at 445 Park Avenue, had not yet been heard of.

Today, the sale-leaseback transaction is a most important development in our business. This is simply a method whereby the creator of a "project" transfers or sells title to it and simultaneously leases it back for successive terms approximating the life of the building and even longer. The sale is made for an amount of money which reduces the equity to a minimum and sometimes, on a truly successful "project," eliminates equity entirely.

By way of illustration, I believe it would be worthwhile to set up an imaginary "project." For this purpose, we will assume that we have acquired a piece of land in the Borough of Manhattan on which we are erecting an office building of a million square feet at a total cost for land and building of $30,000,000.

If the building were fully rented to satisfactory tenants at an average of $5.50 a square foot, a million square feet would yield an annual gross income of $5,500,000. Operating costs at $1.25 a square foot and City taxes on full assessment at current rates would create expenses of $2,500,000. This would leave $3,000,000 available

Continued on page 29

*From a talk by Mr. Tishman before the New York Society of Security Analysts, Inc., New York City, July 11, 1957.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks swept down through the 500 level for the industrial average this week to make a full-fledged correction of the February-July runup. There was a bit of support before the line was violated but a boost in the prime rate for commercial loans was enough evidence of continued tight money to chill the support attempts.

* * *

Rails slid downhill hand-in-hand with the industrials in advance of the long-awaited freight rate boost. The boost, when it came, was something of a pleasant surprise since the consensus opinion was that it would be in the nature of a 5% hike against the 7% that was actually authorized for eastern and western carriers. The Southern rails were given a 4% rate lift.

* * *

There was still much neglect evident in the market which, with the highly irregular earnings results, lower steel operations than expected, a new trim in the price of copper, etc., made the downhill path the easier one. For more than a dozen sessions in a row volume failed to reach the two million level, as one measure of the neglect.

Profit-Taking Persistent

Even where there was good news, such as the 3-for-1 split in General Tire, the inclination was to take profits on the news rather than to stage any great show of elation. Brunswick-Balke took even harder the approval of a 2-for-1 split of its shares and was prominent among the harder-hit casualties when the going was rough.

* * *

There was little in the specific news, or in the economic background that indicated the market was in great jeopardy. About the worst that the poor action inspired was a continuing debate over whether the summer rally had already passed. Last year the summer peak was posted early in August at a level within 0.10 of the all-time high reached in April 1956. This year the peak was within 0.28 of the record but was reached in the first half of last month. The similarity of the two rallies helped heighten the debate.

Prospering Petroleum Company

Oils had little in the way of sustained demand for the group as a whole. But Phillips Petroleum — in the face of profit pinches elsewhere—stood out in being able to set new records both in sales and in income. The improvement was laid to some of its gas and other new chemical products from new plants. But these plants are only starting to get into operation so the full benefits won't be felt until later in the year. The stock has been anything but a market wonder lately, however, since it has been swaying with the hopes for a natural gas bill from the current session of Congress. However, unlike other oils which have had wide swings both on demand and disinterest, Phillips has held in a narrow range of a scant 10 points this year and offers a yield of around 3¾%.

* * *

American Brake Shoe was also able to boost its first-half earnings importantly, most of the credit being given to the company's efforts to diversify in recent years and lessen its once almost-complete reliance on the railroad industry. Rail parts currently have been reduced to 40% of sales with auto, machinery, farm equipment, construction and mining clients now accounting for the bulk of its business. The company for the full year anticipates a possible decline in the per-share net, not from any profit pinch but from dilution of the common shares by conversion of the preferred. This is another issue that has not been subjected to excesses by either the bulls or the bears and its range is a mere half dozen points. The 5½% return is above average.

A Prospering Metal Item

Climax Molybdenum has shown little popularity at a time when much of the market stress has been on "natural resource" items. In fact, its range this year just about approximates that of 1956 although earnings projections show that it will most likely add around a dollar a share to the $5.87 it earned last year. Unlike the metal outfits generally, Climax has been operating at capacity for the most, according to the available reports. In past years the use of molybdenum was pretty closely tied in with steel production but research and development since the Korean war have widened the use to where it didn't have the customary postwar decline in demand. In part the abnormal demand for heavy steel plates has helped, too.

* * *

Unlike the other nonferrous items, molybdenum has held the price line much more satisfactorily and, while no spectacular spurts in demand are expected, a steady growth to where half again as much of the metal will be required inside of a decade is anticipated. And Climax, which accounts for about two-thirds of domestic production, is the important factor in supplying the increased demand. At recent levels the yield on Climax approached 5%.

Awakening Rails

The long-dormant rails moved back into some attention as a result of the new rate raises but it was still in the carrier division that some of the better returns were being offered. Dividends were well covered in most cases, some as much as twice over even where moderate declines in 1957's final results are expected.

* * *

A dividend increase candidate in the rails is Denver & Rio Grande which is expected to earn better than $6 a share this year against the $2.50 dividend rate now in effect. The company has been putting on a superior showing in comparison with railroads generally, including higher income each month for the first half of the year which is not the industry pattern. In fact the $2.92 earnings of the half already more than cover the dividend.

Intriguing Motor Stock

In the autos the intriguing item was still Chrysler and it was, at least among the Street workers, favored over all the others while the investment companies continued to shy away and favor Ford and General Motors when they are auto-minded.

* * *

What antipathy toward Chrysler is around stems mostly from its ups and downs of recent years, plus the fact that General Motors is going to make a strong bid for its Golden Anniversary to recapture its full share of the market. And a recovery in GM is taken to mean at the expense of Chrysler. But there is a school of thought that refuses to write off Chrysler so easily.

* * *

Chrysler is, for one, a company of only 8.7 million shares against 280 million for GM and 54.3 million for Ford. Chrysler, moreover, has had the poorest profit margin of the Big Three. And if recent figures are any yardstick, Chrysler is boosting the efficiency factor slowly but steadily. The company is projected to a per-share net of around $15 this year but only half that in 1958 would still be priced at a conservative 10-times-earnings. And a 50% slash in profits would be a drastic one. It is by no means certain that such a course is indicated.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Automation and the Manager

By JOHN DIEBOLD*

President, John Diebold & Associates, Inc.

A leading automation pioneer asserts automation is misunderstood by management; shows savings are achieved not through reduced labor costs but through perfected techniques of control; calls for education in the widest sense to counteract what he considers to be foolish and extravagant claims about automation and the fallacy of management's abdication of responsibility for automation to the engineer. Mr. Diebold explains that one of automation's main functions is to take the hunches and guesses out of top-level decisions to preclude improvisation based upon tardy or incomplete data, and isolates four damaging cliches which have impressed management and obscured the real meaning of automation. Illustrates managerial problems solved by this new advance and suggests four guide posts for arriving at the best system.

The reports from many nations which I received during the preparation of this paper, and which I should now like to acknowledge, impressed upon me the importance of treating automation as a management problem. For although there is apparently a universal recognition of the machinery of automation in all industrialized countries, there is only infrequent appreciation of the fact that automation presents a unique challenge to management not only to perform old tasks better, but to reach new levels of achievement, and to change further and enhance the role of the professional manager. It is to this subject that I now wish to turn.

John Diebold

Automation has presented management with a major new problem. As yet management has not faced up to this problem and in fact is not even grappling with it in any true sense.

This may come as an unpleasant surprise, especially if you have spent time and money trying to apply the benefits of automation to your office or factory. You may have attended some management conferences on automation. If you have, you have undoubtedly spent a good deal of time listening to definitions of what automation "really" is. In the already extensive bibliography on automation, it would be hard to find a speech or article or book whose author fails to give, usually at considerable length, his own private definition of automation. There is a good deal of truth in the quip that it is as hard for a group of businessmen to define automation as it is for a group of theologians to define sin.

Misconceptions About Automation

In my opinion, almost all the defining and counter-defining miss the point and miss it in a very serious way. In fact, in a sense, the definitions themselves are to a considerable degree actually responsible for the misconceptions about automation that are causing many managements to miss the point, to put the emphasis in the wrong place and to lose out on most of the benefits that automation could bring.

The reason for this is that almost all definitions and most of the talk and article writing stress the machines, the hardware of automation. In fact, there is an almost incredible preoccupation with equipment. Certainly these machines are fascinating. One's capacity for wonder would have to be dull indeed if he were not stirred by hearing of gigantic oil refineries that run themselves with the help of only three or four men, or of ERMA, the 25-ton automatic banker, a single machine that handles all the details of 50,000 bank accounts, or of the famous transfer machines of Ford, Renault, or Austin that machine a cylinder block from a rough casting in less than 15 minutes. Nonetheless, by stressing the achievements of these remarkable devices, the definitions have obscured the real essential of automation—that, more than anything else, it is a concept or way of approach in solving problems.

It is not that the new technology is unimportant. On the contrary, without these self-correcting machines most of what is considered to be automation by any definition simply could not exist. But what is important about the machines is not that they can perform mechanical tricks but that, for the first time, they enable us to organize many different kinds of business operations, in the office and in the plant, into systems and to control these systems. More than this, they enable us to do new things, as well as to perform old tasks better.

Automation is not a particular group of new machines or devices. It is a new concept—the idea of self-regulating systems — and a new set of principles. Automation thus gives the means to build new kinds of machines to perform many new tasks in a wide range of enterprises.

It is only this kind of thinking that will enable management to get the full benefit from automation, but it is also this kind of thinking which is still so rare as to be almost an isolated phenomenon in the business world.

Automation, as a word and as a fact, is only about ten years old. Yet during this short period so much foolishness has been spoken, and so many extravagant claims have been made — particularly with regard to the speed with which benefits can be realized—that many businessmen have begun to wonder whether this entire new technology has not been oversold. By now, there is almost a folklore of automation; most management thinking is cluttered with a whole set of stereotypes. Not only must these stereotypes be exposed for what they are before business can take full advantage of the genuine potential of automation, but management must do a good deal more original thinking and must learn to question traditional patterns of operation as well as the concepts of automation itself. Every one of these stereotypes has some truth in it; that is undoubtedly why they persist. Yet so long as they are swallowed whole, just so long will automation fail to mean what it could mean—in the factory, the processing plant, and the office. The danger, it has been well said,

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*An address by Mr. Diebold before the 11th International Management Congress, Paris, France.

The Economic Outlook in Terms of Labor Market Data

By PETER HENLE*
Assistant Director of Research, AFL-CIO

AFL-CIO economist states high economic level of past few months has moved sideways rather than upwards and that higher unemployment insurance claims over last year belie Census Bureau figures showing unemployment as about the same in 1956. Mr. Henle tells Congressman that school, housing and other issues transcend economic considerations and, therefore, should "not be diminished out of hand simply because they might have an 'inflationary' effect."

A lull in economic activities is clearly apparent. Nowhere, at present, is there an indication of strongly rising demands, as there was from consumer spending in 1955 or from business spending for new plant and equipment in 1956. There are only a few signs of added strength on the economic horizon — moderately rising consumer spending and small increases in expenditures by Federal, state and local governments but these should provide sufficient underpinning to the economy to prevent any sharp decline in the months immediately ahead.

The following reviews briefly a few key economic indicators with emphasis upon labor market data.

Employment

Changes in the labor force during the past few months appear to be largely the result of normal seasonal fluctuations. While employment remains high, it nevertheless seems clear that today's labor market cannot be considered as tight.

Although employment in non-agricultural industries shows an 800,000 increase over last year, (BLS figures), on a seasonally adjusted basis the total has remained at practically the same level since the closing months of last year.

During the last six months, non-farm wage and salary jobs on a seasonally adjusted basis have about held their own in construction, mining, transportation and public utilities, banks and insurance companies, services, and retail and wholesale trade. There has been a decline in manufacturing, and an improvement in government employment.

Focusing on manufacturing, we find that the number of production and maintenance jobs have been declining more sharply than total employment. These declines have not been concentrated in one industry, but have been spreading through most industries in recent months. For April, total production worker employment in manufacturing was almost 200,000 less than April 1956.

Sagging demand for many products, inventory reductions, cost-cutting and rising output per man-hour of work have been causing small, but widespread, layoffs. An indication of the size and spread of these layoffs can be seen from reports of recent weeks:

Admiral Corp. closed its Bloomington, Ill., radio and television plant "indefinitely" affecting 600 to 800 workers. Westinghouse laid off 300 appliance workers at Mansfield, Ohio. The Pennsylvania Railroad laid off 1,600 shop workers throughout its system.

Armour & Co. is closing its Los Angeles meat-packing plant that employed 500 workers. U. S. Rubber Co. layoffs affected 800 workers in Eau Claire, Wis., and Chicopee Falls, Mass.

We are informed that employment at the General Motors Frigidaire plant in Dayton is now down to 8,000, roughly half the total that prevailed a little more than a year ago.

The Building and Construction Trades Department of the AFL-CIO has considered the employment situation in its industry sufficiently serious to have inaugurated a monthly report on unemployment among its Building Trades Councils in 20 cities.

Because this procedure has been operating for only a few months, figures are not sufficient to reach any definite conclusions. In general they show a great diversity in unemployment rates around the country and indicate in a number of places that the Spring improvement is not of the dimensions reached in previous years.

Unemployment

Recent unemployment figures by the Census Bureau give total unemployment in April at 2.7 million (new definitions), about 4% of the labor force and about the same as in April 1956. However, it is significant that unemployment insurance claims during the early part of the year and continuing through the spring months, have been running 100,000-200,000 above the comparable level last year. The more detailed statistics showing the characteristics of the insured unemployed, emphasizes that in particular unemployment among factory and construction workers has been higher this year than in 1956.

On an area basis, the Labor Department's recent **Report on Labor Market Areas** emphasizes the diversity of labor market conditions throughout the country. In some areas, the labor supply situation can be characterized as rather tight, but at the other end of the spectrum there are 21 major labor market areas and 59 smaller areas included as "areas of substantial labor surplus." This is roughly the same number as May of last year. Since the previous report in March, six areas have been reclassified as a result of improvements in their employment situation, but for five of these the "improved employment outlook stemmed mainly from seasonal factors." On the other hand, there were eight labor market areas in six states where changes in classification were made reflecting greater unemployment. Included in this group were the following cities (listed with the industries in which layoffs have occurred): Flint and Grand Rapids, Mich. (auto and auto parts), Dayton, Ohio (appliances), New Britain, Conn. (fabricated metals); and San Francisco-Oakland, Calif. (construction, trade, shipbuilding, autos).

Hours of Work

Both the Census Bureau and the BLS report continuing significant reductions in hours worked. In a comparison of April 1956 and 1957, the Census reports a reduction in the extent of overtime and an increase in part-time work due to economic causes. The number of workers usually working full time who were working part-time in April of this year was 1.2 million, 200,000 above the level of April 1956.

A sharper trend is evident from BLS figures which show that the average weekly hours worked in manufacturing industries has dropped from 40.7 in September and October to 39.9 in April. This is the first time the figure has gone below 40 hours since the 1954 recession.

Productivity

Considerable controversy has been evoked in recent months over the interpretation of recent trends in productivity. The President's Economic Report, for example, argued that during 1956 "only a very small gain in over-all productivity is indicated." It has been generally agreed, however, that productivity changes may fluctuate rather sharply from year to year, and therefore the figures for any one year must be viewed in their proper perspective.

The value of this caution seems to be borne out by more recent events. The trend of the economy in the last six months would seem to indicate a significant increase in productivity at least for manufacturing since total manhours have been declining more rapidly than industrial output. The result is bound to have been an increase in productivity, although the exact magnitude of this increase would be difficult to measure.

Issues Transcending Inflation

Other economic indicators could be cited to support the general conclusion that while the economic activity remains at a high level, the movement during the past few months has been more sideways than upwards.

I would like to suggest one conclusion that might be drawn if this analysis is correct. The mood of the present session of Congress appears strongly to be one of "economy." Congress as a whole seems to be hesitant to embark on any new Federal programs. One reason that is advanced for this hesitation is the possible "inflationary" impact of any new venture by the Federal Government.

I would like to suggest that the current economic scene does not require that economic considerations be a primary factor in Congressional decisions regarding such issues as aid to school construction, expanded housing program, aid to distressed areas and extension of the statutory minimum wage.

Certainly, individuals may differ with organized labor's view that such legislation would help to develop a healthier economy in this country. But equally as certainly, the present economic situation does not require that these programs be dismissed out of hand simply because they might have an "inflationary" effect. Rather, each of them should be considered on its merits, and this Committee should make this point clear to the Congress.

*Statement by Mr. Henle before the Subcommittee on Fiscal Policy, Joint Economic Committee, Washington, D. C.

Forms Shwiff & Company

DALLAS, Texas—S. G. Shwiff is engaging in a securities business from offices in the Fidelity Union Life Building under the firm name of Shwiff & Company.

A. S. Young Opens

CALDWELL, Idaho—A. Stanley Young has formed A. S. Young & Company with offices in the M. H. King Building to engage in a securities business.

Marache, Dofflemyre Branch in California

GARDEN GROVE, Calif. — Marache, Dofflemyre & Co. has opened a branch office at 13151 Wright Avenue under the direction of Lee C. Hauge.

John V. Bouvier 3rd

John Vernon Bouvier 3rd, former member of the New York Stock Exchange, passed away Aug. 3 at the age of 66.

Public Utility Securities

By OWEN ELY

Niagara Mohawk Power Corp.

Niagara Mohawk Power has reported earnings for the first half of 1957 of $1.19 compared with $1.42 in the first half of 1956; and for the 12 months ended June 30 of $1.91 vs. $2.30. "The decline in net income is caused by the increases in the cost of providing service and the higher cost of power obtained to replace the power lost by the destruction of the Schoellkopf station," President Machold stated.

The company had been selling the very low-cost Schoellkopf power to a group of 25 industrial customers which can use only the old-fashioned 25-cycle type of electricity. In order to replace this kind of power Niagara Mohawk had to call on the Ontario Hydro-Electric Commission to help out, since that agency still has facilities for producing such power. However, due to adverse water conditions it has been necessary to use steam facilities in Canada to supplement the hydro power, and the replacement power has been much more costly than originally estimated. Thus, while Niagara Mohawk increased its rates last June to these special industrial customers, and has received about $5.7 million added revenue from this source, it looks as though the company is losing money on these sales—or at least its profit has been greatly reduced. In 1956 revenues per kwh for all industrial customers averaged about 7.4 mills compared with about 7 mills in the previous year, well below the U. S. average.

The writer estimates that Niagara Mohawk is currently earning only about 5.3% (or less) on its electric rate base. The company filed rate increases with the Public Service Commission in December and April. But apparently some of the users of industrial power at Niagara protested that the new rates would affect their operations (geared to cheap power) adversely. Recently, in order to carry out suggestions made at commission hearings and at conferences of counsel representing these industrial power users, the proposed rate schedules were revised and readjusted so that greater uniformity of rates will be achieved throughout the system.

Under the new schedules, there will be no change in residential, farm, and industrial rates in the company's Central and Eastern Divisions from those filed in April. The adjustment of commercial rates for these two divisions will result in a small decrease. Rates for residential and farm service in the company's western division will be increased to bring them closer to those in the other divisions. Rates for industrial and commercial service in the Western Division will be increased, but for certain types of service the increases will be less than previously scheduled. For the entire System the increase for residential and farm service would total approximately $5,400,000 and affect 913,000 customers. Increases for industrial and commercial service would total approximately $5,100,000 and affect 124,000 customers.

It is hoped that the adjusted rate increase applications will be processed by the state commission within a fairly short time in view of the emergency conditions. The amount requested will, it is estimated, yield additional revenues of about $10.5 million over the total revenues received in 1956, or about 44¢ a share. Information is not available as to pro forma results for the 12 months ended June 30, 1957, to reflect the new rate increases after allowing for a full 12 months' increase to industrial customers at Niagara (compared with seven months in 1956), but it is conjectured that this adjustment might reduce the increase to 35-40¢ a share.

In the late spring of 1957 another adverse factor developed when the company lost the sale of about 145,000 kw at Messina to the Aluminum Company of America which discontinued stockpiling metal for the Government. However, it may be assumed that the company will be able to sell this power to other customers profitably—for example Consolidated Edison was in urgent need of additional power during some of the hot weather days recently when its air-conditioning load was heaviest. Another unfavorable factor this year was the adverse affect of relatively warm weather on gas sales.

Recent share earnings probably included about 17¢ a share for deferred taxes resulting from accelerated depreciation, as compared with 12¢ in 1956 and 8¢ in 1955. In the absence of any ruling by the state commission, the company has elected not to "normalize" these deferrals.

A favorable recent long-term development has been the improvement in the chances for legislation giving the New York State Power Authority a "go ahead signal" to construct a big new power plant at Niagara Falls. A compromise bill has passsed the House and is now the "first order of business" as soon as the Senate disposes of the Civil Rights Bill. Major criticism of the Senate bill has come from Senators Clark of Pennsylvania and Lausche of Ohio, who would like to get 20% of the Niagara Power allocated to their states instead of the present 10%. The latter power would be non-competitive so far as Niagara Mohawk is concerned, and it will be allocated 445,000 kw firm power for a long-term of years in addition to interruptible power. While some power will be allocated to New York municipalities and other public power agencies this should not be as adverse as if the "preference clause" in its original form had been retained in the bill. The new power should be available in 1961 (the State Power Authority has already placed orders for some equipment) and in the meantime the company will obtain 115,000 kw firm power, plus more if available, from the St. Lawrence Project beginning in 1959. With its own construction program of about 900,000 kw the company will thus have additional capacity of nearly 1.5 million kw by 1961 or about 50% more than present capacity.

It seems probable that the shortage of 25-cycle power at Niagara will gradually be alleviated as industrial companies there convert their facilities to 60-cycle power.

The stock has been recently selling at 29¼ and paying $1.80 to yield nearly 6.2%. In view of the probable imminence of rate relief, it appears likely that the $1.80 rate will be continued even if earnings dip slightly lower during the balance of the year.

Forms Wittow & Co.

(Special to THE FINANCIAL CHRONICLE)

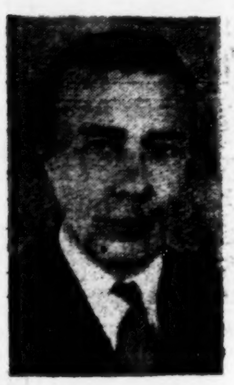
DENVER, Colo. — Herbert I. Wittow is engaging in a securities business from offices at 22 Jackson Street under the firm name of Wittow & Company.

Pension and Other Funds Present Several Problems

By ADOLF A. BERLE, JR.*
Professor of Law, Columbia University
Former Under-Secretary of State and Ambassador to Brazil
Author, "Tides of Crisis"

Former "braintruster" and statesman, and now law professor argues "there is a strong case for uniform regulation of pension plans," whether the funds are in the hands of insurance companies or banks, and for a solution to what is described as the problem of a very great and growing centralization of investment power in a few hands stemming from $30 billion in existing trusts, which "are certain to triple in volume before they level out." Professor Berle recommends that the funds provide: uniform auditing and review, beneficiary's right of court appeal, standardized provisions, access to mortgage market, and greater flexibility for insurance companies. Touches on the possible future need to guide capital credit as is done for commercial credit by Federal Reserve.

I agree wholly that the ground rules should be the same for the pension, accident and health, and welfare funds whether they are in the hands of insurance companies or in the hands of banks as trustees, and I think he is right.



Adolph A. Berle, Jr.

As between the banks and the trustees, I am not neutral but equipoised. My office has worked for both types of funds. But the fundamental interest is clear: the beneficiaries of these funds are entitled to protection.

Under the prevailing system, their contributions are really compelled by circumstances. The individual worker has very little to say about the terms of the pension agreement. This is settled for him by others when the trust or insurance arrangement, as the case may be, is negotiated. The result is really a variety of forced savings. This means that there is a strong public interest in seeing to it that he gets the benefits he has earned when the time comes, or the specified event occurs.

The law at the moment is not, it seems to me, in satisfactory shape. In one sense, pension and other funds have grown very quickly, and they are in somewhat the shape that the insurance funds were before the crystallization of regulation which took place after the Hughes investigation half a century ago.

Wants Uniform Audit and Review

First, it seems to me there should be a uniform system of disclosure, audit and actuarial review. It is absurd to say that these arrangements are merely private contracts, or that the many millions of workers covered by them voluntarily contracted in accordance with the terms of the present agreements. They did not: they took what was given them. The first step, which can be taken now, is a uniform system of audit and review. This ought to include not merely the conventional accountants' audit, but also the actuarial review which will disclose whether or not the funds, either in the hands of an insurance company or in the hands of a trustee, will be in condition to meet the expectations of the beneficiaries when they arise.

Court Review Protection

Second, it seems to me that appropriate arrangements ought to be made so that the beneficiaries have access to the courts when necessary to protect the administration of the funds. As far as the law appears to go now, a beneficiary has no right to go into court to correct any abuse or maladministration of funds. He does not have the kind of right that is granted a stockholder of a corporation. He must wait until some agreement he has is valid and by that time it is usually too late.

I do not think this condition will last. Probably a beneficiary could secure a court review now. I am indebted to a suggestion made by Professor Roscoe Pound in a different connection which I think applies here. Courts of equity have an ancient visitorial jurisdiction in situations like this. On proper application they can appoint a "visitor" to review and report. I believe that jurisdiction still exists.

But it does seem to me that a readier method of review ought to be possible. While there is no point in opening these funds to harassing actions, it should be possible to have appropriate review of the administration of trust funds available to those who are most interested in them, namely, the beneficiaries.

Standarized Provisions

Third, I believe that the terms of trust provisions should be standardized. This was an issue fought out many years ago in respect to insurance policies, and it seems to me that the same considerations apply now. A similar issue was fought out in connection with the clauses governing the duties of trustees in corporate bond issues. Judge Rosenman decided in *Hazzard v. Chase National Bank* (237 NY Supp. 541, aff'd 282 NY 652) that clauses exculpating a trustee in the widest possible degree were valid. But the result of that was an amendment to the Securities & Exchange law which required standard clauses governing the trustee duties. I think the same result would apply here. It could apply, because the *Southern Underwriters Case* that settled that insurance was interstate commerce.

Because legislation is a long, hard road, it might well be that the banks and insurance companies alike which hold these funds could draw up standard clauses themselves, and by common agreement work out a reasonable standardization.

Insurance Company Investment Powers

In this connection, let me say that I think some greater flexibility ought to be given to the investment powers of insurance companies. For practical purposes a considerable volume of the funds held by insurance companies are held on the same terms as those held by banks as trustees. These are the so-called "deposit administration" arrangements. The insurance company holds the fund, invests it, builds it up, and on the occurrence of a specified event buys from the fund an insurance policy for the beneficiary. Meanwhile, the funds are held for investment. The practice is to assume that these funds when held by insurance companies are subject to the same restrictions in investment as apply to other funds held by insurance companies. The banks, on the other hand, are not subject to such restrictions. Since the payments from these funds will be made later at a time when price levels may rise, the fund must have in mind some hedge against inflation.

Mortgages in Pension Portfolio

It ought to be added that the more conservatively managed bank funds do not take advantage of their flexibility. One of the most famous averages a return somewhat less than the average return received by the big insurance companies. But this is partly due to the fact that pension trusts have not had access to the home mortgage market which yields a higher interest return. Within the past few weeks we think we have found a way by which pension trusts especially do get access to the mortgage market — a job in which I like to think my office helped to pioneer.

The point is that if the trustee funds ought to be subject to some review, the insurance company funds ought to be entitled to rather greater flexibility.

Problem of Investment Power Centralization

My fourth point is one taken at very long view. We shall have the problem of a very great centralization of investment power—if we do not have it now. Already the total funds involved in these trusts amount to $30 billion or so; they are certain to treble in volume before they level out, as they will. This is a substantial portion of the savings of the country. Their investment will be in a very few hands. There have always been reactions to this sort of centralization in American history. I have no pat solution. A great deal of study will be needed. One of the insurance companies, the Prudential, has been doing a great deal of work on decentralization. This may offer possibilities. In time, of course, there may be some guiding of capital credit, as the Federal Reserve System now guides short-term commercial credit. But this is a problem a long way off, merely looming over the horizon now and I can only call attention to it.

The substantial protection of the expectations of many men is the main interest. The ground rules ought to be substantially the same whether funds are in the hands of insurance companies or banks.

*An address by Professor Berle before the Insurance Section of the American Bar Association, New York City, July 8, 1957.

What Federal Taxes Should Be Reduced?

By LAWRENCE H. SELTZER*
Professor of Economics, Wayne State University, Detroit, Mich.

Economics professor recommends, if Federal spending declines without affecting total spending, reducing revenue from individual, corporate and excise taxes "in roughly equal proportions," and explains why he favors reducing "our relative reliance upon excise and corporation incomes taxes."

During the past year and a half we have had a net cash surplus of several billion dollars in the Federal budget, and a tight monetary policy. Nevertheless, the total volume of spending, public and private, has been sufficient to produce rising prices and a high level of employment. So long as these conditions continue, we could reasonably contemplate making sizable reductions in total Federal revenues only if substantially equal cuts were to be made in Federal spending programs. The principal source of hope for such a development is that a new turn in international relations may soon permit a significant contraction in the major component of the Federal budget—the defense expenditures. If this should come to pass, and other government spending programs are not enlarged, a roughly corresponding increase in private spending would be essential to sustain the level of economic activity.


Lawrence H. Seltzer

Reductions in any one or all of the three largest sources of Federal revenues—the individual income tax, the corporation income tax, and the excises—would increase private spending, though possibly by more or less than the amount of the tax reduction, and reductions in any one or more of these three principal revenue sources would contribute to economic growth. Growth is promoted by fostering both investment and consumption. A reduction in corporation income tax rates would contribute, at least in the short run, by enlarging the funds available for investment and by making investment more profitable. But investment also responds most powerfully to an expansion of the markets. And reductions in all three of the principal types of taxes would contribute to this result by increasing the disposable incomes of individuals (including the increased dividend income that could be reasonably expected from a lowering of corporation income tax rates).

Looking forward to the time when reduced expenditures may both permit and dictate revenue reduction, the practical problem will not be to array the principal classes of taxes in the order of their generic merit for tax reduction and then to choose the foremost to the exclusion of the others. I am sure we shall want to reduce all three. The practical question will be whether we should reduce some more than others.

Tax Policy Recommendation

In distributing more or less permanent tax reduction among these three principal sources of Federal revenue, the desirable long-run shape of our tax structure should be an important guide. In 1956, we obtained about 47% of total internal revenue from the individual income tax, 28.4% from the corporate income tax, and 13.3% from the excises taxes. I ignore, for present purposes, the remaining 11.3% from the employment, estate, and gift taxes. Because this relative distribution among the three principal tax sources has provided large and flexible revenues, and has proved compatible with a high level of employment and income, and a good rate of growth, I think there is a reasonable presumption in favor of retaining it; that is, for reducing the revenues from the three principal sources in roughly equal proportions. This would seem to me a good working goal. It would be even better, I think, while cutting all three, to reduce our relative reliance upon excise and corporation income taxes. Some of the considerations that lead me to this conclusion are the following:

Faults of Excise Taxes

(1) Although the proportionate share of the excise taxes in total internal revenue fell from 34% to 13% between 1939 and 1956, the absolute amount of such taxes more than quintupled, rising from $1.8 billion to $10 billion, and the total is scheduled to rise above $11 billion in fiscal 1958. While all taxes alter the distribution of expenditures, the excises do so with the greatest direct discrimination against particular goods and their producers and consumers. Moreover, many excise taxes enter into business costs and are pyramided en route to the consumer.

Excise taxes on transportation and communications, from which we raised $1.2 billion in 1956, seem particularly objectionable on economic grounds. They directly impede a fuller use of the vast amount of fixed capital already in being to produce these services and the vast amount of other overhead costs that are being incurred willy-nilly to produce them.

As a group, excise tax receipts are less sensitive to fluctuations in economic conditions than those based upon incomes. They therefore contribute less than income taxes to the automatic stabilizing influence of the Federal revenue system upon private incomes. Frequent statutory changes up or down in excise taxes are undesirable because of the competitive dislocations they produce. Finally, the state governments make heavy use of excise taxes. These considerations, in my mind, all argue for including excise taxes prominently among the candidates for Federal tax reduction.

Corporate Taxes too High

(2) Corporation income tax revenues are highly sensitive to fluctuations in business. While open to objections on other grounds, the corporation income tax contributes in this respect to the automatic stabilizing influence of the Federal revenue system. But the present rates of the tax are undesirably high from a long-run standpoint. Wasteful corporate expenditures and those of doubtful merit are less apt to be curbed when as much as one-half or more of the cost is defrayed by the government through reduced tax liability. The present scale of the tax makes it difficult for small and medium-sized corporations to retain sufficient earnings for vigorous growth.

Economists know little in detail about the final incidence and effects of any tax, and perhaps least about the incidence and effects of the corporation income tax. We have good reason to believe that the direct burden of the tax tends to be shifted to the consumer in some industries, notably the regulated public utilities, and to be shared in varying degree between stockholders, customers, and suppliers of goods and services in others. In so far as the tax is borne by stockholders, the nominal rates are the same for small-income and large-income stockholders. When consideration is also given to the personal income tax on dividends and the absence of such tax on retained earnings, the combined rates are higher than on their other kinds of income for some stockholders and lower for others.

Almost any tax, however imperfect, is tolerable at moderate rates, but high rates magnify the imperfections. The corporation income tax rate was 12% in 1929, 18% in 1939 for income above $25,000, and it is 52% today on such income.

To my mind, the upshot of these considerations is that we should work toward a substantially lower scale of corporation income tax rates.

Individual Income Tax

(3) The most important change that took place in the enormous expansion of the Federal revenue system since 1939 was the rise of the individual income tax to a preeminent position as a source of Federal revenue. Receipts from this tax rose from a little more than $1 billion, or less than 20% of total internal revenue receipts in 1939, to more than $35 billion, or 47% of such receipts, in 1956.

The present rates are heavy and should surely be reduced as promptly as possible. At the same time, we should retain or even increase the **relative** position of this tax.

The incidence of the individual income tax is more clearly known than that of the others, and its burden may be distributed more surely in accordance with the intentions of Congress among the different income groups. Because of its present wide coverage, extending to about 70% of our population, including dependents, and the sensitiveness of its revenues to fluctuations in employment and incomes, it is a potent automatic stabilizing element. Congress may also adjust its rates downward or upward, as the economic situation may indicate, with large and prompt results, and without the disruption of competitive relations or capital values than would tend to result from frequent changes, for short-run purposes, in excise and corporation income tax rates. But the strength of the individual income tax depends in large degree upon its wide coverage. This suggests that tax reductions in this area should take the form more largely of rate reductions than of enlargements of the personal exemptions.

In the light of these considerations, therefore, a workable and desirable proximate goal in tax reduction would be to reduce all three of these major classes of tax revenues in roughly equal proportions, though leaning toward a greater relative reduction in excise and corporation income taxes than in the individual income tax.

*Statement by Prof. Seltzer before the Subcommittee on Fiscal Policy, Joint Economic Committee, Washington, D. C.

Douglas G. Sloan

Douglas G. Sloan, partner in Sloan, Rodetsky & Co., Jersey City, N. J., passed away on July 19.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Chase Manhattan Bank, New York, N. Y., was given approval by the New York State Banking Department to increase its capital stock from $162,500,000, consisting of 13,000,000 shares of the par value of $12.50 each, to $163,625,000, consisting of 13,090,000 shares of the same par value.

* * *

The appointment of Joseph M. O'Neill as an Assistant Secretary of **Manufacturers Trust Company, New York**, was announced on Aug. 8, by Horace C. Flanigan, Chairman of the Board.

In 1920 Mr. O'Neill joined the **Mechanics Bank** which merged with the **Brooklyn Trust Company** in 1929 and he came to Manufacturers Trust at the time of the Merger of the two banks in 1950. From 1948 until early this year he served as Manager of the bank's Brighton Beach Office, Brooklyn. At present, he is Officer-in-Charge at the Linden Boulevard Office, also in Brooklyn.

* * *

Warren Papsdorf has been elected Auditor of the **Long Island Trust Company, Garden City, New York**, by the Board of Directors, according to an announcement by Frederick Hainfeld, Jr., President.

For over 10 years Mr. Papsdorf was with the Comptroller's Division of **The First National City Bank of New York**. He assumed his new duties as Auditor of the Trust Company on Aug. 5 at the Main Office in Garden City. His assignment as Auditor will also cover branch offices located in Stewart Manor, East Garden City, Great Neck, and Freeport.

* * *

The Meadow Brook National Bank of Nassau County, West Hempstead, N. Y., increased its common capital stock from $7,990,540 to $8,150,350 by a stock dividend effective July 24. (Number of shares outstanding—1,630,070 shares, par value $5.)

* * *

The New York State Banking Department on July 25 gave the **Central Bank and Trust Company, Great Neck, N. Y.**, approval to increase its capital stock from $1,050,600 consisting of 105,060 shares of the par value of $10 each, to $1,082,120 consisting of 108,212 shares of the same par value.

* * *

The Colonial Trust Company, Waterbury, Conn., and the **Naugatuck National Bank, Naugatuck, Conn.**, merged under charter and title of The Colonial Trust Company on July 15.

* * *

The **People's Bank of Steelton, Pa.** merged with and under the title of **Dauphin Deposit Trust Company, Harrisburg, Pa.**

* * *

The Mahoning National Bank of Youngstown, Ohio, increased its common capital stock from $1,650,000 to $2,310,000 by the sale of new stock effective July 25. (Number of shares outstanding—165,000 shares, par value $10.)

* * *

The National City Bank of Cleveland, Cleveland, Ohio, has opened its 18th Office, the Center-Cedar Office, located in the easterly suburb of University Heights.

* * *

Northwest National Bank of Chicago, Ill., increased its common capital stock from $500,000 to $1,000,000 by a stock dividend effective July 22. (Number of shares outstanding—50,000 shares, par value $20.)

* * *

By a stock dividend **The Herget National Bank of Pekin, Ill.**, increased it common capital stock from $150,000 to $300,000 effective July 22. (Number of shares outstanding—12,000 shares, par value $25.)

* * *

Benjamin E. Young, a director of the **National Bank of Detroit, Detroit, Mich.**, died on July 31 at the age of 59.

Mr. Young retired in 1952 as general Vice-President of the Detroit bank.

He started his career as a clerk in the **Commerce Trust Company of Kansas City, Mo.**, in 1915.

He became Controller of the trust company in 1924 and nine years later was named Assistant to the President of the National Bank of Detroit. He became general Vice-President the next year.

* * *

By the sale of new stock **The First National Bank of Shreveport, La.**, increased its common capital stock from $3,000,000 to $3,250,000 effective July 26. (Number of shares ouutstanding—260,000 shares, par value $12.50.)

* * *

The common capital stock of the **Gulf National Bank at Lake Charles, La.**, was increased from $150,000 to $300,000 by a stock dividend effective July 25. (Number of shares outstanding—30,000 shares, par value $10.)

* * *

The National Bank of Fort Benning, Fort Benning, Ga., was issued a charter by the Comptroller of the Currency on July 19. The bank has a capital of $200,000 and a surplus of $250,000. The President is L. W. Pence and the Cashier, William A. Lyman.

* * *

J. Wm. Massie, Vice-President and Comptroller of the **Republic National Bank of Dallas, Texas** died on Aug. 4 at the age of 88.

He began his banking career with the old **Commonwealth National Bank** as a messenger, in 1911. A series of bank mergers resulted in his becoming an Assistant Cashier of Republic National Bank in 1929. His banking background included service in Collections, Bookkeeping, and various other banking departments.

He was elected Auditor of Republic in 1930, Comptroller in 1943, and Vice-President and Comptroller in 1949.

* * *

Edwin E. Adams, President of **The Bank of California, N.A., San Francisco, Calif.**, announces that William S. Pfeifle, well known San Jose banker and civic leader has joined the staff of the bank in an official capacity. He will be temporarily assigned to the Head Office in San Francisco pending completion of the bank's new San Jose office of which he will be Manager.

* * *

In accordance with the announcement already made, Viscount Monckton of Brenchley, P.C., K.C.M.G., K.C.V.O., M.C., Q.C., has assumed the Chairmanship of the **Midland Bank Limited, London, England**, on the retirement of Lord Harlech.

Lord Harlech retains his seat on the Board.

* * *

The Board of Directors of the **Bank of Hawaii, Honolulu, Ha-**

waii, has recommended the calling of a special stockholders meeting to approve an increase in the bank's capital stock from $3,300,000 to $5,500,000. This would mean the issuance of 110,000 additional shares ($20 par value) which will increase the number of shares outstanding from 165,000 to 275,000.

The board will make two recommendations: (1) that stockholders receive a 33⅓ stock dividend or one additional share for each three now held, and (2) that stockholders be offered the right to purchase one additional share for each three shares presently held at a price of $37.50 per share.

Mr. R. A. Peterson, President, said that it is the intention of the Board of Directors to pay a $2.10 yearly dividend on the new capital structure of 275,000 shares.

If the program is finally approved, the bank's capital account will be increased to nearly $14 million.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates yesterday (Aug. 7) offered $4,200,000 of Chesapeake and Ohio Ry. 4⅜% equipment trust certificates due June 1, 1958-1972, inclusive, at prices to yield from 4.00% to 4.35%. Issuance of the certificates is subject to approval by the Interstate Commerce Commission. The group won award of the certificates at competitive sale on Aug. 6 on a bid of 99.51%.

The certificates are to be issued under an agreement dated June 1, 1957 which provides for issuance of an aggregate of $20,700,000 par value of certificates to be secured by the following new standard-guage railroad equipment, estimated to cost $26,091,030; 55 Diesel-electric road switching locomotives and 2,000 hopper cars.

Associates in the offering are: R. W. Pressprich & Co.; Baxter & Co.; McMaster Hutchinson & Co.; and Shearson, Hammill & Co.

Samuel Myer Joins J. Barth On Coast

SAN FRANCISCO, Calif. — J. Barth & Co., 404 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges, has announced the appointment of Samuel C. Myer as sales manager with headquarters at San Francisco. For the past 11 years Myer has been with White, Weld & Co., New York. He first started in the Research Department, later becoming a registered representative and had been assistant sales manager during the last two years.

Now Hirschfeld & Stern Co.

The firm name of Associated Estate Analysts, 1 East 47th St., New York City, has been changed to Hirschfeld & Stern Company.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John U. Harris, Jr. has joined the staff of Harris, Upham & Co., 136 Federal Street.

With Hill, Darlington

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Carl A. Levine has become associated with Hill, Darlington & Co., 31 Milk Street. Mr. Levine was formerly with Richard J. Buck & Co. and May & Gannon, Inc.

With De Young, Tornga

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Keith D. Vandercook is with De Young, Tornga Co., McKay Tower.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

UNITED STATES TRUST COMPANY OF NEW YORK

A brochure issued by this bank states that it is "the story of a good idea—launched with distinguished sponsorship, good management, and adequate capital—that for 50 years made no progress at all." The company was set up by a group of New York's leading citizens in the early 1850's to serve as executor and trustee of personal and corporate funds. Until this time, these functions were performed mainly by individuals. But United States Trust Company's trust business was practically nil for the first 50 years of its existence. The timing of the idea was not so favorable.

However, this is not to say that the bank did not prosper, for the management put its capital and talents to work in banking and investment activities. Be it remembered that this was a period in which one's wealth was much where its owner could keep a close eye on it—a family owned merchant business, a fleet of ships, a block of commercial buildings, etc. It was not until some decades later that widespread holdings in various industries through stock holdings became possible.

The company started business in 1853 with a capital of $1,000,000, and over the years this has grown to the present $10,000,000. There were 30 persons on the first Board of Trustees, among them being such names as Peter Cooper, John Jacob Astor, William E. Dodge, Darius Ogden Mills. The magnitude of the investment business may be seen from the complete list of trading on April 12, 1853, on the New York Stock Exchange: two insurance company stocks, three banks, three coal companies, one canal company, two mining companies, 11 railroads, two miscellaneous companies; and besides government bonds, the bonds of only three states and three railroads were traded.

But, when the era of industrial expansion did arrive, United States Trust was geared to put into effect the idea on which it had been founded. Charts showing the growth in national income and United States Trust's record of fiduciary activities are surprisingly faithful in their movements; and today the bank administers over $4 billion of funds. It still does a general banking business, and its trust activities include acting as executor, guardian, administrator, trustee, court depositary. It provides investment advisory facilities, with complete custodial service. It has memberships in the Federal Reserve System and the Federal Deposit Insurance Corporation.

Recently the bank sold its property on Wall Street to Metropolitan Life Insurance Company, which is erecting a building on the site to be occupied by United States Trust Company as the principal tenant.

It is a widely held impression that bank stocks do not rank as beneficiaries of inflation. But certainly in the case of a pure trust company not only does it have a stake in the country's normal economic growth, but also in an inflation economy, for besides the fees which it receives for trust administration, at the termination of a trust it receives a fee of 1% of the value of the trust. Also, during the life of a trust, the bank's fee is based on the market value of the trust. Thus the base on which a company's earnings are calculated rises as inflation forces market values higher.

Statement of Condition—June 30, 1957

Resources		
Cash and Due from Banks		$25,280,418
Loans and Discounts		71,760,366
U. S. Government Securities		57,048,835
State and Municipal Securities		13,891,011
Other Securities		1,181,272
Federal Reserve Bank Stock		900,000
Real Estate Mortgages		6,079,407
Bank House		2,906,425
Accrued Interest and Receivables		1,012,189
		$180,059,923
Liabilities		
Capital Stock	$10,000,000	
Surplus Fund	20,000,000	
Undivided Profits	3,064,039	
		$33,064,039
General Reserve		1,998,985
Deposits		142,679,778
Reserve Taxes, Interest, etc.		1,917,121
Dividend Payable		400,000
		$180,059,923

A breakdown of these assets into principal categories follows:

Cash	14.0%
U. S. Government Securities	31.7
Other Securities	8.9
Loans and Discounts	39.8
Real Estate and Mortgages	5.0
Miscellaneous Assets	0.6

The bank's income has in recent years been derived from the following sources:

	Loan Int.	Secur. Int. & Div.	Fees, Com., etc.
1951	19%	23%	58%
1952	19	24	57
1953	22	22	56
1954	20	21	59
1955	23	21	56
1956	27	17	56

It is apparent that gross derived from interest and dividends on securities (which on average provide relatively low rates of return) has suffered at the expense of gross coming out of loans and discounts, which provide a much higher rate of return.

In recent years the bank's average rate of return on its loans and on its securities has been as follows:

	Average Rate of Return— On Loans	On Securities
1950	1.70%	1.44%
1951	2.20	1.65
1952	2.59	1.75
1953	3.03	1.87
1954	3.10	1.87
1955	3.21	1.99
1956	4.00	2.15

The increased rate in both categories is impressive. That on loans for 1956 is 128% greater than that for 1950; on securities it is nearly 50% greater.

The bank's portfolio of government bonds has been maintained in relatively short maturities. For a number of years it has reported no holdings of maturities beyond ten years. At the end of 1956 approximately 66% were due within five years; 34% in five to ten years.

Ten-Year Statistical Record—Per Share*

	Book Value	Operating Earnings	Invested Assets	Dividend	Price Range High	Low
1947	$58.55	$2.93	$255	$2.80	59	47
1948	59.36	3.61	274	2.80	48	41
1949	59.97	3.41	250	2.80	52	42
1950	60.59	3.42	287	2.80	54	47
1951	61.35	3.56	301	2.80	51	47
1952	62.17	4.03	310	3.20	55	48
1953	63.31	4.33	309	3.20	58	51
1954	64.52	4.41	327	3.20	62	55
1955	65.61	4.99	338	3.20	80	61
1956	66.02	5.46	316	3.20	76	66

*Adjusted for 5-for-1 split.

In the decade, book value increased about 7%; earnings 55%; invested assets 16%; and dividends 14%.

The bank's centennial occurred in 1953. Dividends have been paid uninterruptedly since the year of organization. With the shares selling around 68 at present the $3.20 returns about 4.7%, a good yield as bank stock yields go. The dividend payout is only about 59% of operating earnings, so that there is ample room in the earnings rate for a higher disbursement.

The shares are selling at about 12.5 times operating earnings for 1956. Earnings that year were at the rate of 8.3% of year-end book value.

Morgan Stanley Group Offers General Motors Acceptance Debs.

A nationwide underwriting group headed by Morgan Stanley & Co. and comprising 224 investment firms placed on the market yesterday (Aug. 7) a new issue of $100,000,000 General Motors Acceptance Corp. 20-year 5% debentures due Aug. 15, 1957, at 97½% and accrued interest to yield approximately 5.20%.

The proceeds from the sale of the debentures will be added to the general funds of the company and will be available for maturing debt or for the purchase of receivables. The proceeds may be applied initially to the reduction of short-term borrowings.

Certain institutions may avail themselves of the opportunity of paying for the debentures on a delayed delivery basis on Jan. 3, 1958.

The new debentures are not redeemable before Aug. 15, 1967. On and after such date the company may, at its option, redeem the debentures at 103% if redeemed on or before Aug. 14, 1968, and thereafter at prices decreasing to the principal amount on and after Aug. 15, 1970. However, in the event of governmental action resulting in cessation of passenger car production or financing, the debentures may be redeemed at par, but no such redemption may be made until two years after the date of such governmental action.

GMAC finances the distribution of new products manufactured by General Motors to dealers for resale and finances such dealers' retail instalment sales of new GM products as well as used units of any make. The financing of automotive vehicles comprised 97% of dollar volume or receivables purchased in 1956 and 98% in the first six months of 1957.

Since 1952, GMAC's annual volume of receivables acquired rose from $4,515,153,000 to a peak of $10,058,115,000 in 1955 and amounted to $9,132,272,000 in 1956. For the first six months of 1957 receivables acquired totaled $5,007,456,000. Notes and bills receivable, after deducting unearned income and loss reserves, held by the company at June 30, 1957, amounted to $4,142,893,000, compared with $3,850,046,000 at Dec. 31, 1956.

The company's consolidated operating income was $165,419,000 for the six months ended June 30, 1957, compared with $155,169,000 for the like period of 1956. Net income for the respective periods was $21,676,000 and $21,959,000. For the calendar year 1956, operating income was $317,144,000 and net income was $45,705,000.

GMAC capitalization at June 30, 1957, was as follows: indebtedness due within one year $1,419,700,000; senior indebtedness due subsequent to one year, $1,916,140,000; subordinated indebtedness, $375,000,000; total capital stock and surplus, $270,471,000. All of the outstanding capital stock of GMAC is owned by General Motors Corporation.

Our Disastrous Foreign Aid Policies

By HON. SPRUILLE BRADEN*
Former Ambassador and Assistant Secretary of State

Diplomat objects to granting of either economic or military aid to Communist, socialist or "neutralist" governments, and maintains we can buy neither reliable allies nor friends. Suggests we have wastefully over-armed many smaller countries, permitting the use of military aid as a fiscal maneuver to release the recipient's other funds to economic undertakings. Favors extension of aid, but on an annually decreasing scale; with present wasteful grants being replaced by private investments. Opposes proposed International Development Loan Fund, which would give our taxpayers' dollars to nations who do not need them, and who give grants to other countries.

I prefer largely to direct my observations to this hemisphere, as the part of the world with which I am most familiar. Similarly, I prefer to limit myself, insofar as possible, to the economic rather than the military aspects of foreign aid.

Spruille Braden

I do, however, object to the granting of any aid—economic or military — to Communist regimes such as in Yugoslavia or Poland. (So-called national Communism is just as dangerous, evil and anti-American as the international variety.) I am only slightly less worried by grants or loans of any kind being made to socialist, or so-called "neutralist" governments.

Entangling Alliances and Military Aid

I believe George Washington, in his Farewell Address, made the finest statement ever put forth as to what should be U. S. Foreign Policy. Therefore, as a layman, I should like to see a really convincing and detailed analysis of why modern transportation, communications and science so profoundly alter Washington's warnings against entangling alliances.

I should like to know if Eugene W. Castle, in his book "The Great Giveaway," is not right when he says: "Many nations could support their own military establishments if they had to do so and if the United States did not lavish military aid upon them."

I should like to know how far our foreign military aid is being extended beyond reasonable lengths as a means to bring about more and quicker promotions and a more rapid turnover of material by our own forces. I should like to know if we have not wastefully over-armed many smaller countries, which are incapable of any real self-defense and whose peoples cannot handle modern equipment. I should like to know whether purely military aid has been used as a fiscal maneuver to release the recipient country's other funds to economic undertakings.

I should like to know if historians are accurate when they say that the end of Rome started when she began subsidizing the outlying tribes and nations of Europe, and depending upon non-Roman mercenaries for her defense.

Even as a civilian I know that we can no more buy reliable allies than we can buy friends. Peoples can only be led to war because of a dedicated idealism or evident self-interest. I also know that if we keep the United States so strong as possible spiritually, militarily, economically and every other way, other nations will wish to emulate and support us.

*Statement by Ambassador Braden before the Foreign Affairs Committee of the House of Representatives, Washington.

Surely the British and other allies will or will not defend themselves irrespective or any aid they may receive from the U. S. A. The real deterrent to Soviet aggression does not lie in military handouts, but in the hope of friends and the fear of foes that we will assist the former if they are attacked.

Finally, I know that our military aid to some dictators has not endeared us to their peoples.

No Blanket Opposition

As evidenced by my recommendations to this Committee and to the Appropriations Committee of the House when I was Assistant Secretary of State, I am not opposed to all foreign aid. I favor its employment on an annually decreasing scale, except for certain rare and very special situations. It should be used only as an incentive to the recipient nations to help themselves. Government to government grants and loans should be restricted to those areas where government is provenly competent, such as sanitation and health, education, government administration, and occasionally, public works or agriculture. I would give precedence to this hemisphere.

The people of the United States are the most emotional, sentimental and generous of any, bar none. The tragic living conditions of the majority of mankind — which appear far more distressing to us with our relatively higher standards of living than they do to those who endure them—often impel us to adopt measures which will not improve the lot of the recipients of our aid, but which if continued too long, will impoverish us. Perhaps, it is this thought, coupled with the fact that so much remains to be done for our own people here at home, which now begins to stir our taxpayers.

Effect on the Recipients

How does our foreign aid affect the recipient nations? The Honorable Pedro Beltran, distinguished Peruvian statesman and former Ambassador in Washington, not long ago answered this question:

"If a nation relies on handouts to live . . . its future is doomed. As time goes on, it finds it harder and harder to get on its feet and forge its own future. . . . It ends by making no effort to develop its own resources or be self-supporting. As long as such a state of affairs prevails, such a country will never come of age, but will continue to be dependent on others, without prospects for the future."

"It should be realized that private capital can achieve what no public treasury can do. When confidence has been established, the amount of private capital that may flow into a country is practically unlimited. Private investors will compete with one another and seek out the opportunities . . . but government money cannot do this, since risk venture is beyond its province. Private capital will flow . . . if the investor feels that he can operate in a free economy."

Disappointments in This Hemisphere

Our accomplishments in respect of foreign aid in this hemisphere often leave us little about which to be proud. It is pertinent to observe that:

(a) It was not the United States, as has been alleged, which primarily helped the Guatemalans to rid themselves of Communist control.

(b) So soon as the Communists had been driven out, our own government proceeded officially and senselessly to confirm Communist calumnies against the United States.

(c) Since then we have been and are still wasting millions of dollars in grants to Guatemala. With a little judgment by the U. S. Government, these grants could be entirely eliminated and replaced many times over by private investments, which would be far more beneficial to everyone concerned.

(d) U. S. financing of Marxists in Bolivia is inexcusable.

(e) By giving substantial foreign aid to Peron, we supported an enemy, a collaborator first with the Nazis and then the Communists and aligned ourselves against the decent and democratic elements of Argentina. Our role vis-a-vis Rojas Pinilla in Colombia, and some other dictators, has been no better.

No grants or loans—and here I include the Export-Import Bank, the International Bank and the International Fund — should be made to any country whose government by confiscation, expropriation or other unfair tactics and discrimination has directly or indirectly injured the investments of our citizens or even those of other foreign interests. Nor should our taxpayers' dollars be paid to nations: (1) who do not need them, and many of whom are themselves wealthy; or (2) who turn around and give grants to other countries.

Development Fund Opposed

For these and other reasons, I am against the recently proposed International Development Loan Fund, i.e., a U. S. Government so-called revolving credit beginning at $500 million and rising to $750 million per year. This fund apparently would not supplant direct grants of economic aid or the technical assistance program.

Under this scheme, the United States would be committed for the indefinite future, to the operation of a new bureaucracy dedicated to the principle that our citizens' money should be loaned abroad on easy terms, come what may, in "greater financial risks than those acceptable to existing institutions."

It would be folly to entrust such huge funds and power to bureaucrats, who are much freer than private banks and corporations from governmental controls and supervision, not to mention the vigilance of their stockholders. Too often, government officials, in handling the taxpayers' money, do not realize that they should act scrupulously as trustees.

It would be wrong in principle to use public monies in "risk" loans or ventures, such as apparently are contemplated for this new International Development Loan Fund. In fact, the first criterion specified for it is that "financing cannot be obtained from other sources." Because "repayment terms would be less rigid" and could be made in local "currencies as well as dollars, and interest could be waived or suspended," these loans would tend to drive out not only sound private investors, but also financing by the Export-Import Bank. Thus, in the end there might be no increase or even a diminution in the new capital available for a particular country. Those suggesting the creation of this Development Loan Fund forget that it is not lack of capital, but the unfavorable investment climate in a given country, which is the real deterrent to increased private investment.

A serious study should be made of the initiation caused both in the U. S. A. and the recipient countries by our foreign aid programs.

The Soviets and Communism never will be defeated by United States "give-away" programs. On the contrary, our "give-away" programs are founded on the Communist doctrine that the productive workers shall support the incompetent and the loafers. Both Lenin and Stalin violently opposed all development by "private enterprise and investment." They said that the backward nationalities could be communized only through prolonged aid from the advanced countries, aid such as Washington is now disbursing. Due to ignorance of Communist policy and the basic Soviet plan, our government has been and still is subsidizing the USSR's long range campaign against the United States.

Who are the advocates of foreign aid? They are: (1) misguided idealists or sentimentalists, who seem to believe friendship can be bought through government-to-government grants and loans; (2) some business and labor leaders, whose industries, thanks to this program, may sell their wares to or through the International Cooperation Administration in Washington; and (3) above all, the thousands of bureaucrats whose soft jobs and lush expense accounts depend on the continuance of foreign aid."

* * *

The groups in favor of "give-away" foreign aid cleverly confuse, misinform and mislead high government officials, members of Congress and many civic leaders, who haven't enough time really to track down how foreign aid is misspent. It is impossible to track down how billions are spent by going around the world in 80 days. We can't even keep track of how many millions, much less billions, are spent at home.

The plain truth is that the United States is going broke, committing suicide, by uselessly giving away billions of dollars to the rest of the world.

The direct debt of the United States is about $280 billion. This vast sum is almost twice the combined debts of all other principal nations. Of this huge amount, between $100 and $120 billion have been given away or loaned to foreign governments.

About three billion of our gifts have been used by foreign governments to reduce their national debts. This three billion has been added to our own national debt. It has done us no good of any kind.

Sixty Billion Total

By June 30, 1957, the total of United States grants and credits of dubious value given in foreign aid since 1946 will be $60 billion.

I grasp what $60 billion really means when I add the assessed valuation of all real and other property in the 17 biggest cities of this country, to arrive at a grand total of just over $60 billion: New York, Chicago, Philadelphia, Los Angeles, Detroit, Baltimore, Cleveland, St. Louis, Washington, San Francisco, Boston, Houston, Pittsburgh, Milwaukee, New Orleans, Buffalo and Dallas.

We would be appalled by the mere suggestion that these 17 biggest cities, if it were possible, be shipped overseas as gifts to foreign nations. Yet, in effect, that is what we have done.

But as it is, the dollar loss and the consequent drain on us taxpayers isn't as serious as the harm done to the morals and morale of other countries and of ourselves.

Certainly over $60 billion should bring us spectacular results in the way of great respect and friendship, and security from Soviet aggression. Instead, it is evident that never did so many people give away so much for so little.

Some of the recipients of our aid have turned "neutralist" or begun playing with the Communists. Other recipients are critical of the United States. For example, the French Prime Minister said: ". . . the Americans managed to create something very near to hatred . . . by the way they gave their aid."

* * *

If after 10 years and the expenditure of an amount equivalent to the value of our 17 biggest cities, we have gained neither security nor friends, how can we possibly justify that $60 billion? When this year on Feb. 4, I put this question to Mr. John B. Hollister, the head of ICA, he replied, "I don't know. I don't know the answer."

To conclude, I respectfully urge that the foreign aid program rapidly be reduced to the most modest dimensions, at most a few million dollars per year to be spent in the manner I have set forth, and in due course replaced entirely by private investment and enterprise.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Leonard R. Brener has joined the staff of Reynolds & Co., 19 Congress Street.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

NORTHAMPTON, Mass. — Jurgen H. Roetter is now with Schirmer, Atherton & Co., 16 Center Street.

Joins H. H. Butterfield

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — Clyde A. Bacon has become affiliated with H. H. Butterfield & Co., City Bank Building.

Donovan, Gilbert Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Mary E. Fulton is now with Donovan, Gilbert & Co., American State Bank Building.

Two With Stowers

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Elmer M. Armbruster and Donald L. Mages are now connected with Stowers & Company, 312 West Forty-sixth Terrace.

With Bertram V. Jones

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Angelo C. Parato has been added to the staff of Bertram V. Jones & Company, 407 North Eighth Street.

Join Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

SHELBY, N. C. — George H. Hubner has joined the staff of Thomson & McKinnon, Webb Building.

W. Sturgis Macomber

W. Sturgis Macomber of the investment securities firm of Reynolds & Co. and former President of the New York Society of Security Analysts passed away Thursday, Aug 1 at the Harkness Pavilion in New York City. He was 44 years old.

At the time of his death, Mr. Macomber was also serving as Vice-President of the National Federation of Financial Analysts Societies.

He had been associated with Reynolds & Co. since 1941 and was a recognized authority on Canadian oil securities in which he specialized. He was a member of the Wall Street Forum and the Oil Analyst Group. Mr. Macomber was also a veteran of the Seventh Regiment, N. Y. N. G.

Continued from page 10

The Supreme Court's Challange To State's Rights and Security

the time of his application a member of the Communist Party in this country!

Believes New Hampshire Was Right

If this were not enough the High Court on June 17 denied the right of the Legislature of New Hampshire to inquire into the actual content of a required-attendance lecture at a State University by a former Professor with a substantial record of association with Communists and Communist-front organizations, who had written that violence to preserve the Soviet system was justified but that violence to preserve the Capitalist system was doubly damned, once for itself, and once for its purposes and more. This latter decision was rested on the astonishing ground, in part, that there was no assurance that a Legislature who had delegated the investigation to an Attorney General wanted answers to the questions put; that this lack of assurance evidences an absence of authority in the face of a Legislative Resolution stating "The Attorney General is authorized to act upon his own motion and upon such information as in his judgment may be reasonable or reliable . . ." in this case the High Court, in discussing the perennial problem of balancing individual rights with national security, dismissed the interest of State in its own survival in an incredible dicta: "We do not now conceive of any circumstance wherein a State interest would justify infringement of rights in these fields."

No matter the phrasing of words nor the rationale of individual members of the majority, it is plain that the elements of partnership between State and Federal Governments in the investigation of subversive activities have been sharply limited, if not destroyed. Mere questioning in legislative fact-finding does not stigmatize. It is the answers to questions that count. If the questions are pertinent and relate to a vital concern of the State they should be sanctioned, not struck down. The mere asking of relevant questions in fact-finding into possible subversion cannot destroy legitimate free speech.

Without being disrespectful I believe it is a fair comment to characterize the language of the majority in the Sweezy decision as pure sophistry. The individual citizen in America must feel frustrated and helpless in the face of such reasoning in reaching a conclusion contrary to the literal right of the governed to self-preservation. Democracy has the right of self-preservation. Freedom does not, and cannot, mean freedom to destroy freedom in this country. Preservation of academic freedom and the American Way of Life does not require the judiciary to constitute the campus an insulated cloister wherein the relevant question may not tread in seeking the presence or absence of a virus that would potentially destroy both academic freedom and the American Way of Life.

Depicts Low Point

To be an Attorney General for the moment is either good or poor fortune, as the case may seem to each Attorney General. Lawyers must have respect for the law and confidence in the integrity, ability, and enlightenment of our judiciary. The situation of the law in the field of Federal-State relations and particularly in the field of subversive activities has never in the history of the United States descended to as low a point in terms of lack of public confidence as it has reached today. While of course I cannot speak for the Department of Justice, it must be apparent to anyone with a balance wheel in his head, that the recent decisions relating to Communism and the Communist Party, the tragic delay in disposal of the Subversive Activities Control Board orders relating to the Communist Party registration under the Internal Security Act of 1950, the requirement that confidential files and reports to the Federal Bureau of Investigation—which may include classified material, shall be open *carte-blanche* to cross-examination in all criminal cases including cases of prosecution for subversion; the decision that the Board of Bar Examiners in New Mexico were required against their judgment to have in their Bar Association a man who had a record of previous membership in the Communist Party and previous criminal activities; the decision that the California Bar may not deny membership to an applicant who refuses to answer whether he is presently a member of the party; decisions relating to extensions of Federal control in the water cases; the decision requiring compulsory transcripts to the indigent in a State Court in Illinois and decisions in derogation of State Labor Laws not touching interstate commerce nor law—all these have brought about a dangerous instability and lack of confidence in government, and in the judicial structure of this Nation.

Claims This Defies Common Sense

That this has been accompanied by such spectacles as those recently presented by the abuse of the Fifth Amendment by Dave Beck and his son for purposes for which most assuredly it was never intended does not help this unhappy situation. What are people to think of the law when they read about such conduct on advice of counsel? What kind of a judicial system do we have that can permit defiance of common sense to the extreme that a Judge cannot sufficiently define a point in testimony at which the Fifth Amendment begins to apply? Must a lawyer always tell a client, "You can't even admit to knowing your own father lest under the doctrine of the Rogers case you may be construed to have waived your right to claim the privilege?" This is nonsense. It is bad public relations for the law.

Wants Fifth Amendment Defined

It is in the interest of improvement of the administration of justice as well as restoration of public confidence in government that at the earliest possible time there should be a decision clearly, rationally and firmly spelling out that the Fifth Amendment means what it always should have been plainly held to have meant, namely, that a truthful answer if given is honestly believed by the witness might furnish a link in a chain of evidence which might lead to his conviction for a crime not outlawed by the Statute of Limitations, and nothing less. The Fifth Amendment is not a shield for informers nor a barbiturate for twinges of personal conscience.

It is most essential that chief law enforcement officers of the States, together with the law enforcement officers in the Federal Government in matters of criminal law generally, and civil liberties and subversive activities particularly, should operate in partnership as a team and without opposition and rancor. Decisions of the Highest Court in this country, which again and again insult State Sovereignty and derogate from the plain language of the Tenth Amendment, do not contribute to such a partnership.

State-Federal Cooperation

Cooperation between the States and the Federal Government is a two-way street. If the Federal Government wants cooperation from the States, then the judiciary should permit extension of real cooperation to the States, for the proof of the pudding is in the eating. If the Bar Association of the State of New Mexico does not want a former Communist with a criminal arrest record as one of its members, the Supreme Court of the United States should not force it to do so. If the Bar Association of the State of California does not believe that an applicant for admission to the status of officer of the Court, sworn to uphold the State and Federal Constitutions, who refuses to say that he is not a member of the Communist Party at the time of his application, is not of good moral character, the Supreme Court of the United States should not tell the State of California that on such a record there is no reasonable doubt of his good moral character simply because the witness contended that he did not advocate or believe in force and violence.

If a Legislative Committee investigating subversion in New Hampshire questions a person who gave a required-attendance lecture at a State supported University seeking to find out whether directly or indirectly he advocated force and violence to adolescents of impressionable age, the Supreme Court should not tell the State Legislature in substance that it may not so inquire. And finally, under no circumstances in the delicate field of interpretation of the Smith Act should the Supreme Court permit exclusion from that act advocacy and teaching of forcible overthrow of the Government as an abstract principle. Words may be combined like keys on a piano to playing a tune according to the conception of the pianist. Although there is an old saying that "Sticks and stones may break my bones but words can never hurt me" words from the Highest Court in the World are translated into action all over the United States and in those places under United States influence which includes a goodly portion of the World. Such a play on words make infinitely more difficult judicial establishment of an intelligible dividing line between free speech and advocacy of subversion and offers encouragement to those enemies of the American Way of Life, who, like termites in the foundation are never seen and seldom heard, until the day the house falls in.

Flexibility of Constitution

This Nation is composed of many languages, many races, many creeds, living together under a document which permits of a good deal of give and take. The very flexibility of the Federal Constitution has insured its continued strength against stresses and strains which in other lands have seen as many as seventeen governments fall in two years. This document must not continue to be interpreted in such a manner as to throw out of kilter the great divider between the powers of the States and the Federal Government — the Tenth Amendment. State Attorneys General are responsible through this National Association for asserting their best efforts that the course of history of the United States shall be turned from a direction of paternal Federalism to one of enlightened cooperation between Sovereign States and the Federal Government, each working in its own sphere with recognized division of authority.

I believe that if the United States Supreme Court continues with the type of decision that has been handed down of late that the National Association of State Attorneys General should support at least four certain courses of action:

Proposes Four Courses of Action

First: The preparation of language clarifying the Tenth Amendment to protect State's Reserved Powers in more specific terms with its immediate recommendation to all 48 State Legislatures.

Second: That a method be devised whereby the States shall have a greater voice in confirmation of appointments to the Supreme Court than now exists through the United States Senate. The more one observes the path of the growth of America, the more compelling becomes the conclusion that politics should be left out of judicial decisions and persons without prior judicial experience should not be appointed to the Supreme Court. While three hundred years ago it might have been appropriate for a scholar writing with quill pen to observe that "The law is a ass, a fool," we can no longer afford to have this considered to be the fact by people in a kinetic, dynamic society troubled with the awful awareness of the fact that society controls technologically the means to destroy itself without at the same time having devised the means to live together in peace and trust.

Third: Specific continued support of legislation of the general nature of S. 654 and H. R. 3, as amended, designed to insulate against judicial legislation in derogation of State Sovereignty.

Fourth: The appointment at this Conference of a Special Committee on Internal Security, instructed to immediately confer with the interested several agencies and with other National groups including the American Bar Association, with a view to preparation of legislation for introduction at the current session of Congress designed to undo as great a portion of the recent decision as is possible short of Constitutional amendment. The Chairman of this Special Committee should be further instructed to present the Committee's recommendation to the permanent Executive Committee of this Association and with its approval and authority to appear before the Congress of the United States in support thereof.

Says We Are Set Back 25 Years

On any theory a determined few on the Supreme Court of the United States have by these decisions mortgaged if not destroyed the reasonable attempts of hard working loyal Americans—including such as J. Edgar Hoover and the FBI. Francis E. Walter and the Congressional Committees and State Legislative Fact Finding Committees — whose methods in the great majority of cases have in no sense nor manner been either unfair or overreaching — to keep check on the extent of Communist penetration and subversion in America. These decisions have set the United States back twenty-five years in its attempt to make certain that those loyal to a foregin power will not create another Trojan Horse here.

Beyond even this incredible, compelled conclusion is the dismaying fact that the Supreme Court has sanctioned protection of the dark corners of individual association with persons disloyal to America and made infinitely more difficult, if not impossible, the taking of sworn testimony relating to subversive activity in the United States. By equating lawful politics with Communism it has been suggested to America and to the World that Communists and Communism may not in fact be subversive of our Way of Life at all which is certainly contrary to the public record of Communism which has proven to an overwhelming majority of Americans that Communism is the mortal enemy of freedom everywhere.

There is no need to torture the memories of surviving loved ones to establish these facts.

Wants Everyone to Be an Open Book

On issues of loyalty to State and Nation the life of every citizen by American law should and must be an open book.

The situation is serious, even appalling. These decisions strike a mortal blow at the very foundations of the American Way — at the very principles in which we believe — those same principles that when the "chips are down" find all loyal Americans ready to risk their very lives to defend and preserve. It is tragic to see such undermining of National Security and Federal State Relations as well as of the very foundation of free America's right to protect itself.

Breed & Harrison Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Dale E. Honecker has become affiliated with Breed & Harrison, Inc., First National Bank Building.

Joins Westheimer Staff

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Thomas W. Murray has been added to the staff of Westheimer and Co., 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

With Paine, Webber

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Carl H. Riley is now with Paine, Webber, Jackson & Curtis, Union Commerce Building.

G. Wilmer Slaight, Jr.

G. Wilmer Slaight, Jr., a municipal bond trader with the investment banking firm of Gregory & Sons, passed away suddenly July 31 as the result of a heart attack. He was 61 years old.

Mr. Slaight started his business career in January, 1913 as an office boy with Barr & Schmeltzer, New York City, continued with the firm following its reorganization as Barr Bros. & Co., and retired in 1939 as a Vice-President. He remained in retirement until 1945 when he formed his own firm, G. Wilmer Slaight & Co., New York City. This organization was in operation for two years, after which he became associated in turn with Chadwick & Slaight; Granbery, Marache & Co.; Cruttenden, Podesta & Co., and finally Gregory & Sons in August, 1955.

"Market Meter" in Black

Harris, Upham & Company's 445 Park Avenue office announced that the firm's "Market Meter," a seven-foot illuminated sign facing Park Avenue at the corner of 57th Street, completed its first full month of operation by showing, in July 55 black and 54 red number changes each representing the hourly variations, black for up and red for down, in the Dow Jones industrial averages during the month.

Chicago Inv. Women

CHICAGO, Ill.—The Investment Women of Chicago will hold their annual summer luncheon for members and guests at South Shore Country Club on Saturday, Aug. 10, at 1:00 p.m.

Leeds Mitchell

Leeds Mitchell passed away July 25 at the age of 80. Mr. Mitchell was a former President of the Chicago Stock Exchange

Continued from page 3

The Present Discrimination In Anti-Inflationary Policy

siderable range — is commonplace over the great range of industrial enterprise. Its roots are complex, but the essentials are clear and reasonably well agreed among students of the subject. In one form or another the firms of an industry will enjoy measurable discretion over their prices whenever the number of such firms in the particular market is fairly small or where one or two firms have a large share of that market and are able to exercise a strong price leadership that other firms follow.

A moment's reflection will persuade one that these conditions are normal to a great number of industries — steel, automobiles, rubber, aluminum, most chemical, nickel, refinery products—and it will be equally obvious that these conditions are not satisfied in agriculture, homebuilding, or other small-scale enterprise where firms are small and very numerous. The analysis of the effect of this ability to administer the prices of an industry has been greatly handicapped by the conviction that it is somehow improper. Actually, such administration is not only possible but also inevitable when an industry is in the hands of a relatively small number of firms. And it is equally inevitable that a great many industries will be conducted by a comparatively small number of large firms. That is the nature of capitalism wherever it is found. A large amount of price administration by private firms is thus part of the system. Those who deplore it are wasting their breath. The problem is to understand it and to live with it.

Leaves Price Somewhat Lower

One final point about administered prices. In those industries where it exists, and especially under conditions of expanding demand, prices will not normally be at the level which, at the particular moment, would put profits at their maximum. In the competitive market demand immediately pulls up prices. In the administered market there must be a decision. Demand will often be ahead of the decision to adapt to it. Moreover, without going into undue detail, there will frequently be a difference between short- and long-run price strategy which makes it appear unwise to take full advantage of the current market. Thus if demand is strong and the industry is operating at or near capacity, a very large price and revenue increase may be possible. But there is also the danger that such an increase may bring new wage demands, or that it may attract new capacity, or there may be some fear of an adverse public reaction. Therefore, the industry keeps some of its opportunity for higher prices and added revenue in reserve as it were.

It follows from the foregoing that at any time when demand has been high and generally rising there is likely in the administered price sector to be an unused opportunity for gain. Prices and profits **could be** higher than they are. If anyone has difficulty appreciating this, he need only consider the case of steel. Price increases of six dollars a ton were announced the end of June. But if such price increases were possible then, they were equally possible a month or six months or even a year earlier. The steel market had previously been strong—even stronger. The wage increase on July 1 introduced no new factor. If the industry could raise the price and increase its revenues **after** the wage increase, it could have done so equally well before. There was an unliquidated margin of gain which it might have pursued and did not. There are grounds for reflection here, incidentally, for those who say that under our system nothing may be done to abridge the right to price for the greatest possible profit. Management regularly abridges this right in the ordinary course of business.

IV

I come now to the effect of monetary policy on industries where prices are administered as compared with those industries where prices are subject to full determination by the market. Steel may be thought of as an example of the first type of situation and most agriculture as an example of the second.[2]

Although there is a highly-developed case to the contrary, monetary policy invokes neither supernatural processes nor even black magic. To the extent that it is effective as an antidote to inflation, it cuts down on the total volume of spending. This it accomplishes by raising interest rates and cutting down on the supply of funds available for lending. As the result of the higher interest rates and the lesser availability of loans, it is hoped that business firms and consumer-borrowers will borrow less and ultimately invest, which is to say spend, less. With less business investment — spending for business plant and machinery — and less spending of borrowed funds by consumers, there will, it is hoped, be less pressure on markets and less tendency for prices to rise.

Passing on Higher Rate

The first impact of this policy is the higher interest rate. Plainly the impact of this will be very different on a firm that has control over its prices and hence can pass along this higher cost as compared with the firm whose prices are given and which, accordingly, must bear the cost itself. The point need not be labored. The United States Steel Corporation justified its price increases of several weeks ago by the contention that its costs had risen. In doing so it not only conceded its ability to pass higher costs, including higher interest charges, to the consumer but based its policy on the need to do so. But no such opportunity is open to the farmer or to the smaller businessman. They cannot raise their prices, for these are market-determined. They shoulder themselves the effects of the policy.

The second impact of monetary policy is through the rationing of credit. This involves denying loans in whole or in part to some borrowers. By common agreement these are "the least creditworthy" of the clients of the bank. As I have earlier suggested, it is commonly assumed that these uncreditworthy borrowers are more or less randomly distributed about the economy and between industries. We may feel sorry for them, but they have selected themselves for trouble by their weakness, and that is the law of life.

Monetary Policy's Discriminatory Rationing

But it will now be evident that this view is too bland. Firms in those industries that are able, by the nature of the market, to pass interest costs along will, in the nature of things, be a better credit risk than firms in those industries which bear the pinch of monetary policy. Monetary policy **makes** certain industries uncreditworthy while not similarly touching others. Moreover, in the administered price markets firms are likely to be larger than those in the market-controlled industries. If firms are numerous in a market, they are likely to be small. The large firm with large and predictable credit needs and with multiple bank connections will usually have a better position in the queue, when credit is being rationed, than the small borrower.

Finally, the large firm in the administered price industry has an alternative to bank credit. Should the banks have difficulty supplying its needs, it can have resort to the market. If its price position is really strong, it can increase its current revenues and finance operations and expansion out of these. Steel firms have repeatedly used the need for investment funds as the defense of their price policy. No such course is open to the firm whose prices are controlled by the market. If it cannot control its prices, it cannot raise them to get funds it is unable to borrow.

The conclusion from the foregoing follows: Monetary policy—the effort to control inflation through restriction of credit—operates with particular impact on the market-controlled or most "purely" competitive sector of the economy. It touches far more lightly, or may even exempt, firms, usually the larger ones, in markets where numbers are small and prices are administered.

The evidence accords with these conclusions. The most important figures to consider are those for total new investment since these reflect ability to resort to non-bank or internal financing. These, as I have just noted, are opportunities enjoyed only by large firms in the administered price industries.

Contrasts Effect on Investment

New investment by agriculture has, of course, declined sharply in these years of tight credit. In 1948 total investment in farm dwellings, other farm buildings, trucks and other machinery less depreciation and damage—the most satisfactory figure though not strictly comparable with gross figures to follow—amounted to $2,199 millions. This was very high, and by 1952 it was down to $1,255 millions. But by 1955 it was down (by preliminary estimate) to $607 million. And there are indications that last year's figure for net investment in our agricultural plant will be only about half the 1955 figure.

Investment in residential housing has also declined, although less spectacularly. In 1955 residential non-farm outlays were $18.7 billion. Last year they were $17.6 billion. Currently (the most recent figures are for May) they are running at an annual rate, seasonally adjusted, of about $16 billion. Thus they have fallen by nearly three billion or about one-sixth in two years.

Both agriculture and housing are industries where prices are subject to market control rather than administration. In the case of agriculture weak consumer demand has played a part along with the squeeze in reducing investment. There is no evidence of its having done so in the case of housing.

Differential Rate of Growth

While agriculture, housing and, we may reasonably assume, other small-scale enterprise has been reacting to the squeeze, general industrial investment has been at record levels. During the first quarter of this year outlays for producer's durable equipment, reflecting preeminently the investment of large firms in the administered price industries, was at an annual rate (seasonally adjusted) of $32 billion. This was the **highest on record** and up $5½ billion as compared with a year earlier. It was at a rate of $9 billion higher than in 1952, the first year of tight money. Plainly the credit squeeze was not being very troublesome here.

There is further evidence in the differential rate of growth in business assets in recent years. Between the last quarter of 1954 and the second quarter of last year, for example, the gross investment in property, plant, and equipment of firms with assets of less than $1,000,000—firms which most plausibly in the market controlled category — increased by only 0.7%. Firms with assets in excess of $100,000,000 increased their gross investment by 16.6%. Between 1946 and 1955 firms with assets of less than $250,000 suffered a reduction in their share of member bank loans from over a quarter to a fifth of the total. Larger firms had a corresponding increase. These changes, especially those in total assets, are greater than those which would be statistically associated with growth. Figures on business failures, skillfully manipulated in relation to business births can be made to prove practically anything and often are. Still it is not entirely without significance that business failures, overwhelmingly of small firms, have been growing steadily at a time of record business earnings.

V

Effect Has Been an Increase In Prices

This analysis leads to conclusions on two problems of current import. It raises questions as to the efficacy of present monetary policy in preventing inflation. That things are not going well here will surely not be denied very much longer. The old-fashioned test of the success of a policy is results. As monetary policy has been applied with steady rigor the effect, so far, has been a steady increase in prices. Price stability, if one may coin a phrase, has remained just around the corner. If monetary policy works for only a part of the economy, this is a plausible explanation of its failure. And as the figures show, the dominant industrial sector of the economy has been able to **increase** its investment sharply at a time when credit policy was presumed to be restricting it. One has difficulty under these circumstances only in deciding why it is expected that the policy should be succeeding.

However, I shall not pursue these matters further. They are currently the concern of the Senate Finance Committee.

Questions Social Wisdom

The second conclusion concerns the broader social wisdom of a policy which functions as does this one. Capital formation is the substance of economic growth; it is the thing of which growth is made. This is a policy which restrains economic growth (in general) of farmers and smaller business firms while not perceptibly discouraging that of larger firms with a stronger market position. The policy may even, the figures suggest, be giving to the latter what it denies to the former.

This matter, I take it, is within the province and concern of the Anti-Trust and Monopoly Subcommittee. I should like to make a suggestion or two as to the resulting course of policy.

Nothing, I am persuaded, will be accomplished by rebuking big business or condemning administered prcies. Big business is here to stay. So is the price behavior which it makes inevitable. To be opposed to big business is much like being opposed to New York City.

Nor should it be supposed that these are problems which the antitrust laws serve a useful purpose, but they cannot remake a society. I would hope that we are past the day when men of good-will cover any and all failures of imagination with a ringing demand for better enforcement of the Sherman Act.

Finally, the problem of inflation must be faced. The discrimination in the present tight money policy would long ago have made that policy intolerable were it not that critics of the policy seemed to be ranging themselves on the side of inflation. And, similarly, the proponents have been able to say, in effect, that only the tight money policy stands between the country and runaway prices.

VI

Coming to more affirmative suggestions, we should recognize, first of all, that fiscal policy—running a surplus and reducing debt—is a less discriminatory way of fighting inflation than the use of monetary policy. Even here larger firms have advantages—they can pass on taxes as smaller firms cannot—but the advantages are not so great.

Recommends Consistent Policies

The present discrimination in anti-inflationary policy could also be lessened, and the policy itself be made more effective, by affirming a rational procedure on tax write-offs. The present policy is contradictory and possibly even muddled. At a time when efforts are being made to restrain investment (which is the function and the only function of the monetary policy) other firms, mostly large ones, have been encouraged to invest by grant of accelerated amortization. If this has been necessary for reasons of national defense—and to the outsider some of the grants such as those to Idaho Power Company look exceedingly implausible—then there should be compensating provision along lines used in the past by the Canadian Government for slower rates of amortization in other areas of lesser need. When the government is seeking to restrain investment with one hand (though succeeding only so far as agriculture and small business are concerned) it is illogical to be seeking to increase it by way of the tax system.

If a ship is taking water, it is, one is told, unorthodox seamanship to both man the pumps and open the seacocks.

Even with a strong and consistent fiscal policy there may still be need to restrain investment spending. (No man is more to be mistrusted in economic policy than the individual who argues that his favorite policy is right and all others wrong). But if monetary policy is to be used to restrain investment, then steps should be taken to see that it applies across the board. One possibility is to provide that, when a general policy of restraint is in effect, firms above a given size may not take advantage of their superior position by increasing their total volume of borrowing. Such a policy invoked by the British in the inflationary years immediately following the war. It is not an ideal arrangement. It might also meet with considerable objection. There is food for thought in this. Monetary policy, so reinforced, would mean that large firms would be subject to the same restrain on their credit use and growth as small firms and farmers. They would be making the disenchanting discovery for the first time that monetary policy is a boot that can pinch. It would be a test of character whether those affected continued to applaud the policy.

Finally, the day may be coming when we shall need to consider new procedures in the field of wage and price policy. The basic setting for inflation, as ever, is a

[2] The existence of price supports for some products does not especially affect the argument. Prices are still beyond the control of the individual farmer.

strong demand for goods. This is true now even though not all industries are operating at full capacity. And it is true whether the inflation is classical, pre-classical, or neoclassical. Inflation control will always involve steps, either through tax or monetary policy or both, to keep this spending under some kind of control.

But within this setting wages, profits, and prices act on each other as an accelerating influence. The cost of wage settlements are promptly passed along to the public in the administered price industries. Nothing is more elementary in modern public relations than to use the occasion of a wage increase as the opportunity for a price increase.

Hearings Before and Not After

This process, as I say, accelerates the inflationary spiral. Since it is the public that pays, there is a strong case for having the public interest better expressed than at present.

Under present procedures—the case of oil last autumn and now of steel are cases in point—the industry announces the price advance. If a wage settlement is involved, the relevant union leader then points out that the increase is excessive. At the same time the Administration states its regret that the advance has occurred coupled with a strong disclaimer of any knowledge of the specific issues. Thereafter a Congressional Committee holds hearings, the increase is denounced, and the matter is then forgotten. While it will be agreed that this ritual has an impressive solemnity, it can scarcely be satisfactory to the public which pays.

President Eisenhower recently suggested (and in a competent strategic withdrawal also condemned) the use of wage and price controls as a remedy. I would not urge these. Such controls are awkward things both to administer and to live with, and they had best be reserved for more serious trouble. But where major movements in wages and prices are in prospect, we might have notice and the public discussion before, rather than after, the fact. Firms (and also unions) would then proceed in light of a full knowledge of public reaction to their policies.

Standstill Agreement

Alternatively in the administered price industries we might have a standstill on price increases for a period after the conclusion of any new wage contract. This would insure that wages, in the ancient manner, are bargained for out of proceeds and not automatically passed on to the public. No more would be paid than could be afforded, and there would be a chance to see what could be afforded before prices were raised.

Some no doubt will be prompt to suggest that all such suggestions are inconsistent with our economic tradition. So, I would hazard, is inflation and a policy that discriminates in its effect as between the small and the weak and the strong and the great. Moreover, I would argue that our economic tradition is essentially pragmatic. It consists, after much argument, in doing what the situation requires. Most of what we have done over the years that we now value, has at one time or another, been held inconsistent with our economic creed.

However, in advancing these suggestions as to the direction discussion should follow, I am not sanguine as to the chances for serious consideration. These are days when we like our economics to be non-controversial and in which hope and supplication are highly regarded as alternatives to action. There will probably have to be a bit more suffering before it is discovered that these are not always sufficient.

Prospects For An Economic Upturn This Fall?

Guaranty Trust discerns, in the economic near future, continuance of the "sidewise tendency . . . giving support to the view that the widespread expectation of an upturn in business this autumn is in some measure the product of hope rather than of tangible signs of rising activity." Points to inventory accumulation, weakened consumer buying altitude and non-revival of expecting housing upturn. Sees, however, no insurmountable barriers to economic-expansion this Fall.

"A contrast persists between the rising tempo of finacial activity and the more static character of actual business conditions" according to the August monthly letter issued by the Guaranty Trust Company of New York.

The recently issued "Guaranty Survey" points out that "Toward the end of June it appeared for a while that automobile sales might be on the upgrade, but the flurry had completely subsided by the early part of July. The performance of housing starts in June was also disappointing in the light of earlier indications that a turning point in residential construction might have occurred. The upturn in starts which had been recorded in April and May on a seasonally adjusted basis was not extended in June. Instead there was a slight decrease, coupled with declines in both applications for FHA commitments and requests for VA appraisals. There is nothing conclusive about this June housing experience, of course, but it does mean that positive claims of revival are premature.

Resumption of Inventory Accumulation

"A preliminary report by the Council of Economic Advisers on gross national product during the second quarter, which was released in July, also contains some features that lend themselves to unfavorable interpretation. Of greatest significance, perhaps, is the estimate that inventory accumulation took place during the period at a seasonally adjusted annual rate of $1½ billion. Before the publication of this estimate, it had been rather commonly assumed that businessmen in general were still reducing inventories, at least in moderate degree. The indication that they apparently were not suggests that industrial production is likely to respond less vigorously to any increase in demand which occurs this fall than otherwise would have been the case. Instead, if the estimates of the Council are correct and if even moderate accumulation continues through the third quarter, businessmen will be able in some part to supply increased demand out of accumulated stocks.

"Of course, with any really sharp and sustained increase in demand, inventories would be pared quickly in all probability, since even now inventory-to-sales ratios are not markedly unfavorable by past standards. Yet the conclusion seems inescapable that the situation which developed during the second quarter is less suggestive of a near-term rise in output than continued liquidation would have been.

Consumer Caution

"The Council's report on the second quarter also suggests that consumer buying attitudes will have to undergo a significant change by the latter part of this year if there is to be any sustained forward thrust of general activity. Although disposable personal income is estimated to have risen by $4.2 billion over the first-quarter rate, personal consumption expenditures rose by only a little more than $1 billion, with consumers increasing their rate of saving by $3 billion. This picture of consumer caution is borne out by the results of the latest survey of consumer attitudes conducted by the Survey Research Center of the University of Michigan. These show a weakening, by comparison with the earlier part of this year, in consumer confidence about future business conditions and a more cautious attitude with respect to purchases. The changes are not large and attitudes remain better than before the beginning of the 1953 recession, but they nevertheless hint at the existence of one more obstacle that will have to be overcome before consumer-goods industries break out of their present sideward drift.

"These considerations do not represent any insurmountable barrier to a revival of economic expansion this fall, but they do show that the grounds for such a revival—that is, for a sustained revival, not just a temporary flurry—are perhaps not as fertile as is sometimes assumed.

Major Test Ahead

"During the next month or so, most comprehensive statistical data will pertain to the normally dull summer period, so that for a while there is unlikely to be any significant clarification of trends. A major test will come, however, with the introduction of 1958-model automobiles. If these are received with enthusiasm, the stimulus thereby provided to a range of industries could tilt general activity upward again, particularly if at the same time the acceleration anticipated by some in highway construction occurs."

Stephens & White Join Sincere and Company

FT. MYERS, Fla. — Ernest S. Stevens and A. Burdett White have become associated with Sincere & Company, members of the New York Stock Exchange, and will act as co-managers of the firm's new office at 2310 First Street. Both were formerly officers of Stevens, White & McClure, Inc.

Sincere & Company has also opened a new branch at 601 South Fort Harrison Street, under the management of Roy F. Chapin, who was local manager for Stevens, White & McClure, Inc.

Appointed Trust Officer

Philip M. Tucker was appointed Assistant Trust Officer of City Bank Farmers Trust Company. He is in the Trust Investment Department.

Inv. Secs. & Planning Corp.

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—Investment Securities & Planning Corporation has been formed with offices at 610 North Cooper Street to engage in a securities business. Donald J. Risser is President and Treasurer. Mr. Risser formerly conducted his own investment business in Peoria and has recently been with Jerry Thomas & Co., Inc. in Ft. Lauderdale, Fla.

J. F. Kine Opens

(Special to THE FINANCIAL CHRONICLE)

SPOKANE, Wash.—John F. Kine is engaging in a securities business from offices in the Paulsen Building.

W. W. Ravetto Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William W. Ravetto is conducting a securities business from offices at 68 Post Street.

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The Security I Like Best

used for pharmaceutical, biological, and electronic research and components. (5) Alloy steel foundry products: stainless steel castings weighing from as little as one ounce to as much as 500 pounds.

A list of Fischer & Porter's customers reads like who's who in American Industry, and of the 4,000 some firms which buy from the company, none accounts for more than 3% of sales. The company does not depend on the government nor defense for business. The most important source of demand for the company's products is the chemical industry. In addition, the company services the aircraft, petroleum, machinery, paper, food and textile industries, public utilities, municipalities and research organizations.

Sales have grown from about $2,000 in 1937 to net shipments of $14,418,000 for the fiscal year ended April 30, 1957. Profit before taxes in 1957 fiscal year amounted to $1,023,000 or about 7% and after income taxes of $536,000, the net profit was $487,000 or about 3.4% of net sales. It is my opinion that these percentages will be improved as a result of the company's modern plant facilities.

Fischer & Porter's capitalization on April 30, 1957, was as follows:

Mortgage notes (not current)	$1,065,500
5¼% convertible sinking fund debentures due 3/1/77	3,200,000
Subsidiary company's non-voting stock	153,512
F. & P. 5% preferred ($10 par)	1,220,400
Common, $1 par	263,805
Class B common $1 par	230,000
Paid in surplus	1,875,638
Profits retained in companies	2,322,780
Total capitalization	$10,331,635
Total stockholders' investment	$5,912,623

The number of outstanding common shares and class B common shares was each doubled on Jan. 15, 1957, without change in par value per share.

Dividends may not be declared on the class B common shares in any year unless an equal amount plus $2 is paid or set apart for payment in such year on each common share. Common shareholders are entitled to one vote per share and class B common shareholders are entitled to 10 votes per share. Class B common shares are convertible, at the holders' option, into common shares (share for share) at the rate of 14,000 shares per year. The subject shares are the common held by the public.

Total assets of the company on April 30, 1957, stood at $11,943,637. The current position was strong. Current assets, including cash items of $1,640,228, totaled $8,913,914 up from $5,678,438 a year earlier in spite of plant and equipment expenditures of $1,174,000 during the fiscal year. Current liabilities were only $1,596,000 affording working capital of $7,318,000, a current ratio of 5.6 to 1 which I consider excellent for a growing company.

Some 10-year balance sheet figures are interesting. From 1948 to 1957, inclusive, total assets increased from $1,387,000 to $11,944,000 or 760% plant and equipment, net of depreciation, from $483,000 to $2,547,000 or 427%; working capital from $377,000 to $7,318,000 or 1,840%; stockholders' investment from $697,000 to $5,913,000 or 750%.

The following is a tabulation of sales (000 omitted), per share earnings on the common adjusted for the 100% stock dividend in January, 1957, and presently outstanding preferred issue, and total cash dividends paid on all classes of stock:

To April 30	Net Sales	Earn. per Com. Sh.	Cash Divs. All Classes
1957	$14,418	$1.62	$113,000
1956	11,026	1.15	107,000
1955	8,697	0.77	69,000
1954	8,138	0.75	48,000
1953	7,611	0.74	37,000

Since no dividends can be paid on the "B" stock until $2 has been paid in any one year on the common, the "B" stock has been excluded in computing the above per share figures.

The aggressive and expanding business of Fischer & Porter Company is led by Kermit Fischer, the President, A 51-year-old engineer, Mr. Fischer is credited with major contributions to the scientific and engineering achievement of the firm. In addition he has combined his inventive flair with business leadership that is daring and imaginative, yet with due regard for sound financial policies.

I quote from the company's annual report for the year ended April 30, 1957, "Fischer & Porter research and development during the last 20 years has resulted in many 'firsts' — the first practical variable-area flowmeter, the first variable-area flowmeter immune to viscosity or density variations, the first corrosion-resistant chlorinator, and the first data reduction system to operate successfully in a process industry to name a few. F & P's status as a leader in the industrial instrument field can, in part, be attributed to its contributions to the technological know-how of Industry.

"To maintain its healthy growth curve and to improve it, F & P is constantly broadening its research and development program. Still the leader in flow phenomena research, F & P has broadened its basic research program to include such fields as glass, electronics, and continuous analytical instrumentation."

As stated earlier, the stock should not be purchased for current income. Dividends totaled 40 cents a share plus 2% in stock in 1956. That was before the 100% stock dividend paid in January, 1957. This year, following the 100% stock dividend there have been two quarterly dividends of five cents each, March 1 and June 1 with a 2% stock dividend June 30. Another quarterly of five cents a share has been declared payable Sept. 1, 1957.

I consider F & P to be a growth company and its stock, traded over-the-counter around $23 a share, should be purchased by those who are looking for long term capital gains entailing a certain amount of risk.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Willis P. Beal retired from partnership in Harris, Upham & Co. on July 31.

Chester Apy, member of the Exchange, withdrew from Carl W. Stern & Co., Inc., July 31.

Donald Caldwell retired as Vice-President of Walston & Co., Inc., July 31.

Sidney King Forms Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sidney A. King Company, Inc. has been formed with offices at 930 Wilshire Boulevard to engage in a securities business. Officers are Sidney A. King, President; Marcia King, Vice-President; and Marvin L. Tragerman. Mr. King was formerly with Boren & Co.

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As We See It

will be felt most by the so-called marginal producer, whether large or small, that is to say by the producer who is barely able to make a go of it. The fact is though that it is precisely for this reason that price acts as a regulator for the economic system. When prices get unduly high, they force retrenchment, and ease the situation, and the squeeze higher costs impose upon the economic system tends to weed out the inefficient. Let us not, therefore, fall into the easy supposition that higher interest rates—and they are as yet, historically speaking, not particularly high—are in and of themselves unfortunate and injurious to the economy.

But Why Have They Risen?

But why have interest rates risen, and what part in inducing this rise is to be assigned to the Federal Government? Interest rates are higher for the very simple reason that borrowers are demanding more funds than are being currently saved and made available for lending. The tremendous rise in the demand for loans has come for the most part from the public—and from state and local government — not from the Federal Government in recent years. And, of course, savings available for lending originate with the public, not government. Business with its enormous expenditures for new plant and equipment, various types of municipal units with their grandiose plans for bridges, roads, tunnels, subsidized housing and all the rest, the home builder more often than not migrating from central cities to suburbia, and the individual who is bent upon ownership of automobiles, electric appliances and dozens of other types of "durables"—these are the borrowers who have been crowding the money and investment markets during these recent years.

And what could or should the government at Washington have done or do about all this? Well, if one assumes—as the politicians seem to do but we are reluctant to do so—that the Federal Reserve System is but an arm of the national government used and to be used by the politicians as they think best, then, of course, the Eisenhower Administration could have simply created the funds to satisfy the demands for loans. This it could have done by having the Reserve banks buy large amounts of government obligations, thus increasing the reserves of member banks at the same time that government obligations were taken from the market. That is to say, it could have adopted a sort of modern greenback program to offset the shortage of savings. But can even a hungry politician bring himself to advocate such a course?

What Could Have Been Done

But there are things the Administration could and should have done which would have tended to relieve the pressure. For one thing, it should have avoided artificial stimulation of housing construction by guaranteeing loans to all manner of people, to say nothing of a great variety of "slum clearance" projects which encouraged borrowers to come into the market for billions of dollars that otherwise might have not been sought, or at least not sought in such urgency. It could and should long ago have brought to an end the outpouring of billions annually into farm subsidies and thus been in a position to reduce its debt to the public.

And there are, of course, literally dozens of other directions in which the national government could have reduced expenditures. Technically, it would not be easy to think of a change that would tend more markedly to ease the situation in the money market than a large and growing Treasury surplus unless it be a reduction in the tax take which would leave just that much more to meet the demands of those who need and seek funds. Such courses of action as are thus suggested are, we are quite certain, not much in the minds of those who are now trying to make political capital out of higher interest rates, but they are much to the point.

There are still other factors for which the national government must bear a very considerable share of responsibility and which indirectly have contributed quite appreciably to the demand for funds and hence for the higher rates of interest. The tremendous surge of outlays for plant and equipment which has been absorbing such enormous amounts of funds during the past two or three years is in considerable part an outgrowth of the practices of monopolistic labor. Labor saving machinery, wherever it can be used, has become a virtual must throughout industry, and the apparent outlook for a long continuance of this monopoly and of its past and current practices tends clearly to reinforce the urge to invest more and more in new and improved equipment. And, of course, the existence of this monopoly is in very substantial part the work of the Federal Government and the politicians—of both parties. But we can hardly expect recognition of this fact in Washington.

A really penetrating inquiry into the current interest rate situation would lead to conclusions quite surprising to many politicians.

Continued from first page

Easy Optimism and Sober Caution

to us whether we are in for a continuing inflationary boom or the "containing" of a disinflationary downturn.

Rolling Adjustment

The great army of business analysts may be grouped in two camps, one under the banner "Rolling Adjustment" and the other under the banner "Vulnerabilities Ignored."

Now the complacent doctrine of rolling adjustments runs about like this. The events of World War II got the nation's productive machine back in high gear and provided a great backlog of consumer, business, and Federal and local government demand, and liquid funds in the hands of all three. Naturally, we had a post-war boom instead of a postwar slump. But the easy optimists go on from this to argue that we now can and will make the boom perpetual by free spending, vigorous use of credit, and the phenomenal economic "know how" of big business management. These companies keep inventories in line and investment up to a high level of technical improvement and rapid population growth. They grant pay increases that stimulate consumer purchasing power, and they make price schedules that yield profits large enough to pay for their investment program and/or produce dividends large enough to keep stockholders happy and attract now capital. Taxes are high, but individuals and companies are so prosperous that they can well afford to pay them. Prices are high, but wages keep going up and salaries follow fast enough to keep the market healthy. Debts of all sorts are enormous and still growing, but everybody's income is so good that defaults are held to a very low level. Every mark-up is rolled over into an offsetting mark-up and the Gross National Product (or spendings) is now at an all-time high of some $428 billion.

Now of course there is a great deal of truth in this view. Prosperity does feed on free spending, ample credit, and a vigorous spirit of business confidence. We had to adjust to a new price level after the pressures of the World War and its big debt increase. And there is no reason to suppose we are going to repeat the 1929 nose dive. We have not built any such financial house of cards as collapsed in the 1930's. But overconfidence can be just as bad as lack of confidence. So let us turn from those who sing "Merrily we roll along to sound economic adjustment and perpetual prosperity" to those who say, "Hey, Uncle Sam, your engine's heating, and your tires look soft."

Are We Ignoring Dangers?

Those who believe that our economy today, instead of being well adjusted, is really under internal strain emphasize three points: (1) Prices of homes and automobiles that are too high for consumers to buy as much as our plants and labor force could turn out, (2) wages that are pushed up faster than productivity rises and thus put a cost squeeze on employers, and (3) credit expanded to the point where large defaults would occur if business slackens even moderately or where the volume of credit is too big for the country's rate of savings.

Certain facts can be cited to explain the worries of those who think our economy has such maladjustments to face in the coming months or years. We twice demonstrated that we could build nearly 1,400,000 dwelling units a year (1950 and 1955), but only about 950,000 families or landlords have been able to afford them at the prices demanded this year, and builders announce that costs will be still higher next year. We built 7,900,000 automobiles in 1955, but could only sell 5,800,000 in 1956 and about the same this year. Wages continue to go up, partly through the negotiation of new contracts and partly through the automatic operation of escalator clauses; and employers who try to pass higher costs on into prices encounter consumer resistance. This results in some liquidation of inventories, elimination of overtime, and even furloughs and the appearance of excess capacity, which acts as a damper on continuance of the extraordinary rate of plant expansion that has been supporting the current boom.

I am not foolhardy enough to predict how these strains will work themselves out, how soon, or at how high a level of prosperity. But I do believe that prudent businessmen cannot safely assume that all the problems are under control and that this fall will see a brisk upturn and 1958 bring a new crest of national prosperity. I thing the easy short-cuts of inflation as a way of economic life are playing out and we shall have to face the tasks of disinflation.

The Inflation Issue

It is a healthy sign that people all over the country are now becoming really concerned about inflation — are really griping about it — are beginning to demand that something be done about it. I do not hold with those who say continuous but moderate inflation is the way to run a vigorous enterprise economy. In the first place, such inlation, though pleasant for those who are in a strong bargaining position or able to push their prices or wages up in a "sellers' market," is unjust and even crippling to those who are in weak bargaining positions, in a fixed income class, or dependent on pension funds. Inflation undermines all endowed institutions, it upsets the calculations of the insurance companies, and weakens the saving motive so basic to capitalistic enterprise.

Inflation would be bad even if it could be kept down to "creeping" inflation. At only 2% a year, it would depreciate the dollar by about one-half in a single generation. But we have no assurance that inflation can be kept down to 2 or even 3% a year. It has a fatal power of getting out of hand and running away with its joyriders. As soon as the business public accepts inflation as a fact and begins to do business on that expectation, inflation gathers speed and destructive power. When people start to "hedge against inflation," the danger point has been reached. Speculators around Wall Street have recently been buying common stocks at higher and higner prices even as corporations are complaining about the "profit squeeze." Is this the initial stage of a "flight from the dollar?" Let us hope not.

I believe Secretary Humphrey was basically correct, but widely misinterpreted, when he said if this thing goes on, it could lead to a recessionary break that would "curl our hair." That would be *deflation* by the route of business collapse. But we should be smart enough to avoid it by applying the brakes of *dis*-inflation. This simply means taking the inflationary overstimulation out of the nation's business while reasonably good prosperity continues and we shake down the over-extended positions to a sound basis of stability and sustained growth.

The Federal Reserve System has been applying the brakes it has available by what should be called a firm or supply-and-demand policy. It is a "tight money" policy only in the sense that it is against dangerous looseness or a "soft-money" policy. The fiscal policy of the budget and the Treasury also can apply a brake on inflation and they have been trying to do so. Fiscal policy has been handicapped by the military threats of Moscow and the overweening ambitions of all branches of our unprecedented military establishment. It has been handicapped also by the real need for road building, catching up on our school plant, and the like. What is less generally realized is that the budget is sucked into the inflationary flood stream by the need to pay higher wages and salaries and larger procurement costs because of the wage-price spiral that has been established in the civilian market.

Here is the real heart of the inflation problem. The fiscal and monetary brakes cannot stop inflation without also stopping prosperity unless we can find ways of checking the wage-price spiral that seems to have become a built-in part of our free enterprise system. But is there no way to get this engine of inflation under control? I suspect we are in the early stages of a showdown on this issue. As I see it, a revival of the boom this fall and next year would be only on a basis of renewed and mounting inflation, with its postponed but increased dangers.

President Eisenhower has made two pronouncemnts on this type of inflation—both of them, in my judgment, very sound. First, he said if inflation gets out of hand the government would have to consider the imposition of wage and price controls *but* that such controls in peacetimes are anathema to him and a denial of our whole free enterprise system. He might have added that they would only give brief temporary relief and soon get the whole business world in such a tangle of rigidities and contradictions that we would have a depression anyway. Second, he said that wages and prices are the responsibility of companies and unions and should be left for them to bargain out or administer on a free-market basis, with the practical give-and take that makes a free enterprise system workable.

This brings us slap up against the question of where responsibility lies in a free enterprise system for maintaining that business stability with economic growth on continuous full employment of our resources that is the goal we declared in the Employment Act of 1946. It is our defiance of the communist conspiracy. But if we pass the buck to government and expect it to save us from inflation by manipulating the credit supply or juggling the public debt or resorting to price and wage controls, we are deserting free enterprise for the easier road of au-

thoritarianism. Of course our representative government has important responsibilities in regulating the money supply. But it should supplement, not supersede the private system of adjusting prices and incomes in the private market. If Big Business and Big Labor don't curb the growth of their imperial domains and discipline the use of their imperial powers, Big Government will sooner or later take over.

The Test Ahead

This responsibility issue will face both management and labor, whether the coming fall and winter months show less than seasonal recovery or whether they are marked by the resumption of the inflationary boom. One industry after another, one contract-negotiating union after another, will be challenged to find terms of trade that will enable business to go on at about present volume, or we will reverse the spiral into a recessionary decline of consumer incomes and company profits, with mounting unemployment. We should not forget that a steel company accepted a five-weeks' strike last summer in resistance to wage demands and probably would have held out longer if it had not been a Presidential campaign year. Nor should we forget that the President of the United Automobile Workers has told his members and the public that he will demand a pay increase of some 25% plus when their contract expires next summer. At the same time we read that the automobile companies are spending a billion dollars to make next year's cars more freakish and costly, both to buy and to operate, than any we have thus far seen. Meanwhile, longer *queues* line up for Volkswagons and other foreign economy cars and more short-time workers resort to "moonlighting" or supplementary jobs. The boasted flexibility and practicability of our free enterprise system seems to be giving way to a power struggle among "strong and wilful men" and their organizations.

In another field we are making the most herculean efforts to find some way to abate the arms race because both sides now have it in their power to destroy civilization. It is hardly less important that we find ways to check the wage-price race since we see that either side has the power, if it decides to use it, to destroy free-enterprise prosperity and economic progress.

Is this a counsel of despair? By no means. It is simply a plea for facing the facts, getting the cards on the table, and applying all the economic intelligence and all the mutual tolerance we can muster to the practical purpose of keeping volume of operations up by adjusting incomes and prices to each other on an approximately stable general price level.

This is theoretically possible since every dollar of one man's cost is another man's income, and therefore we can make the nation's books balance at a high level of activity just as surely as at a low level.

Let there be a nation-wide public demand that inflation be checked before it gets out of hand. Let there be recognition that all corporations large enough to be touched with a public interest shall accept the light of publicity on their price and investment policies and practices. Let us make clear that great aggregations of labor cannot safely be made immune from the antitrust or pro-competition principle any more than can great aggregations of capital.

New Riter Branch

PALM BEACH, Fla. — Riter & Co. has opened an office at 350 South County Road under the direction of R. W. Bartram III.

But Where Does Responsibility Really Lie?

"In my judgment, the evidence (to be presented at forthcoming hearings) will disclose that hoodlums and racketeers came into the labor picture with the aid and assistance of certain high level union officials.

John L. McClellan

"I think before we are through with the hearings it will have been demonstrated, beyond any doubt, that these hoodlums were not in the field of labor for the benefit of the laboring man. It is apparent they were enabled to operate through the grant of union charters — and these charters were used as instruments for the commission of extortion from employers.

"But no small part of the picture is the victimization of the union membership.

"The initiation fees and dues of members constituted a steady source of income for these hoodlums and their henchmen who were put on the union payrolls.

* * *

"The economic factors involved are tremendous. Such power placed in the hands of persons affiliated with racketeers is a danger to the welfare of the nation."—Senator John L. McClellan, Chairman of the Senate Select Committee on Improper Activities in the Labor or Management Field.

A disgrace and a danger to the nation it certainly is. But let the Senator and the others ask themselves whether government itself may not be in some part responsible for its existence.

"Moonlighting Is on the Rise"

"Moonlighting" is on the rise, according to a recent article published by the National Industrial Conference Board. Moonlighting, the Conference Board notes, is a new term in personnel literature meaning double employment, or holding down two jobs at once.

There are several million moonlighters in the United States today. Obviously, the motivation in almost all cases is the desire for additional income to offset the high cost of living, but the board discovered that aiding and abetting the practice is the five-day 35 to 40-hour work week, and the further extension of automation. Workers may now have the necessary leisure and vigor to hold down two jobs. And added to these incentives is today's tight labor market, which offers the worker a host of job opportunities with high pay and generous benefits.

Management's Views on Moonlighting

How does management feel about moonlighting? The Conference Board questioned 25 representative companies about the situation. Fifteen described its effects as "not serious"; five said it was a "minor headache" and the remaining five felt it to be a "fairly serious" problem. One firm said that to the best of its knowledge it had no moonlighters. At the other extreme, three executives estimated 25% of their production workers had second jobs. Two firms reported 20%, and two others 10%. One said that 50% of its highly skilled workers had double employment.

Among employees working a 40-hour week, moonlighting was put at 8%; among those working less than a 40-hour week the estimate climbed to 14%.

While most companies frown on moonlighting or attempt to forbid it entirely, they do not always know if and where it exists. Some firms are inclined to tolerate or ignore the practice as long as it does not get out of hand, and a few companies expressed a willingness to hire men even when it was known they were employed elsewhere.

Spotting Moonlighters

Moonlighters come to the attention of management in many ways. They may show excessive absenteeism and their work may suffer in quality, quantity, or both. They may become involved in accidents. Instances of moonlighters making trouble with other employees were reported to the board. The men working day and night is likely to become irritable through lack of sleep; he may shirk his part of the job; he may ask others to cover up for him, etc.

Usual company procedure is a warning. If the situation is not corrected after a reasonable length of time, the employee probably will be discharged. And immediate discharge is the rule if it is discovered that the employee's second job is with a competing firm.

Suggested Controlling Measures

A consensus of suggestions for controlling moonlighting compiled from the board's study stresses the importance of establishing company policy. Will outside employment be permitted? If so, how much; under what circumstances? Explaining company policy to job applicants and including a statement in application blanks and handbooks for employees enables both parties to know where they stand. Cooperation with other employers in the area is suggested, and, of course, keeping a sharp eye out for early signs of moonlighting in individual cases. Working with and through unions helps control moonlighting, too. Union leaders are as opposed to the practice as company executives.

Securities Salesman's Corner

By JOHN DUTTON

Opening the Larger Account

There are large investors and speculators in every community that have achieved a degree of prominence and they have been unusually successful in their undertakings. Many securities salesmen are hesitant about calling on the larger accounts. Sometimes they feel that the large investor is more inaccessible and difficult to approach. They also hesitate because they have the erroneous assumption that these accounts are nearly always well established and working with other connections of long standing.

There are too many cases when both of these pre-judgments have been proven to be wrong. The first thing you should definitely erase from your mind is that the large account is more difficult to approach and that it is a harder job to sell him than the small fellow. In many instances the larger the investor the more readily he can appreciate an attractive offering. He understands investments. He knows what he is doing and he can size up a good situation quickly. If you have something worthwhile to offer, in most cases you will find that once you begin doing business with the large accounts that you will be able to make the big sales with far less trouble than the little ones.

Don't sell yourself short. If you have a good knowledge of the investment business, and your firm can back you up with sound offerings, even if you have to start from scratch with these large accounts in your community go to it! Some of these large investors may be tied up with other firms with whom they have long standing connections but others will have an open door for you. If you try, you will find that sooner or later you will begin doing substantial business with large accounts. But you must make a try for it.

The Orthodox Approach Is Sometimes Best

One of my smaller accounts several weeks ago told me of a certain large investor that he thought I should try and meet. He was in no position to make the introduction, and I could not find any contact that was available to me that could do so. So I took the next best route. I telephoned this man and told him my business and the firm I was with. I mentioned that from time to time we developed some interesting major pieces of financing as well as participations in some of the most attractive national underwritings, and that I expected to be in his neighborhood soon on other business, and I asked him if I might stop by just to make his acquaintance. He made the appointment. There was no resistance and no pressure on my part. I had a very pleasant 15-minute talk with this man. He told me what he liked and what he did not desire to buy. I will follow this interview with a few offerings that are exceptionally attractive. I might even wait several months if necessary for something outstanding to come along.

Meanwhile, I'll write him several short letters concerning the securities he mentioned to me and if there is any news of consequence that will be of interest to him I'll send it along. This man has no time for trivialities. He will judge whether or not he will do business with anyone strictly on the merits of the offering. He also will have little patience with anyone who overtalks, who doesn't know what he is doing, or who tries to bluff. There is no doubt in my mind that there are men like him in every investment man's community—seek them out.

Not Always So Unapproachable

Several years ago I opened an account on the telephone just because I noticed a change in the directorate of a certain firm. I wanted to obtain some information and I called this man on the telephone and asked him if I could verify some facts. He knew of my firm and he was most cordial. After several conversations about the subject company we became friendly. It later led to one of the largest accounts I have ever had in many a year. The big man is sometimes the most cordial and the easiest to approach—providing you have something to offer him. He isn't interested in time wasters but he is just as human as anyone else. He will react favorably to you if your approach is toward his interests.

Several months ago I was looking over some cards in my file that had accumulated. I noticed one that had answered an advertisement and that I had never been able to contact after several attempts. I once again picked up the telephone and made the acquaintance of a very pleasant man who told me that he had bought a half million dollars worth of tax-exempts from one of our competitors during the past year. Two evenings later (and a Saturday at 7 p.m. at that) I was sitting in his comfortable study talking bonds. The following Monday he placed an order for $35,000 with me. That card could have gathered more dust in the bottom of my desk drawer and I would have never known about this investor.

Give yourself a break—the big man is sometimes the easiest to sell and the most approachable. If you have a mental hazard about calling on him forget it. You will get to the top in this business only one way—by believing in yourself and by working.

Now Jos. J. Wilensky Co.

MIAMI, Fla.—The firm name of Englander Securities Corporation, 8101 Biscayne Boulevard, has been changed to Joseph J. Wilensky & Co. Officers of the company are Joseph J. Wilensky, President; H. H. Horn, Vice-President; and Wallace N. Maer, Secretary and Treasurer, and Chairman of the Board.

Albert Teller Co. Adds

PHILADELPHIA, Pa.—The investment securities firm of Albert Teller & Co., with offices at 123 South Broad Street, Philadelphia, announced that Arnold M. Krell, Morton Goldfield and Albert M. Shuman have joined the firm as registered representatives.

Announcement was also made that James T. Hogan has been appointed cashier of the firm.

Form Wallace Co. Inc.

HUNTSVILLE, Ala. — Wallace Co., Inc. has been formed with offices at 300½ Madison Street to engage in a securities business. Officers are Ina W. Wallace, President; Thomas H. Vann, Vice-President; and John H. Wallace III, Secretary-Treasurer.

John R. Lewis

John R. Lewis, limited partner in Benj. D. Bartlett & Co., Cincinnati, passed away July 17.

Continued from first page

World Economic Situation

become the goal of most countries.

When the war ended, many countries were deeply concerned as to how the productive facilities created to sustain an enormous wartime effort could be harnessed to peacetime uses. The cruel experiences of the 1930's gave rise to fears of deflation and unemployment. Happily, these fears proved to be unfounded. Enormous demands emerge for goods and services which have, from time to time, created inflationary pressures in many countries. The persistent economic problem of the postwar years has been to expand productive facilities rather than to utilize idle production capacity.

The decade following the war has been a period of unprecedented economic accomplishment for large areas of the world. Year after year the industrialized countries have set new production records. While complex and difficult problems continue to face the underdeveloped countries, as a group substantial economic gains have also been made by them. Many have been laying the foundations for economic growth at an accelerating rate. The volume of world trade has reached new high levels. Notable progress has been made toward the reestablishment of a multilateral and less restrictive system of trade. Private international investment is now expanding very rapidly. The net direct investment of American businesses abroad during 1956 probably exceeded \$2.5 billion—a new peak.

Men of enterprise have found widening opportunities both at home and abroad to contribute to the growth in production and to the improvement of living standards. All in all, substantial strides have been made toward the realization of peoples' hopes for greater security from want and larger opportunities for personal fulfillment. We can derive genuine satisfaction from the fact that the world economy is stronger and better balanced than it was on the threshold of World War II.

Military Expenditures and Inflationary Pressures

The postwar economic growth of the world, which has been subject only to brief interruptions, has taken place during a period when most nations have had to shoulder extremely heavy burdens of national defense. The weight of these burdens has been enhanced by the fact that the physical requirements for military production are concentrated in those sectors of our economies where resources are already strained by the expansion of civilian investment. Expenditures for national security form more than 60% of the outlays of the Federal Government of the United States. Manifestly, progress toward a limitation of armaments under adequate guarantees would be a tremendous boon to all our peoples, easing inflationary pressures and releasing resources for more rapid growth of our economies. This is one reason that has impelled President Eisenhower consistently to strive for a realistic international agreement on arms limitation. The current discussions in London afford us ground for hope that progress is being made to this end.

In essence, the current world economic situation reflects the insistent and conflicting demands on limited available resources created by the requirements of defense, on the one hand, and the demands of the civilian economies, on the other. With people everywhere dissatisfied with their standard of living and eager to improve it; with the enormous investment required to bring about the radical transformation of productive techniques that is taking place in many branches of industry; with the drive to expand power, transport, and communications facilities both in industrialized and undeveloped countries; and with the expanding requirements for housing and social services growing out of increased populations and the desire for higher standards of health and comfort — aggregate demand in many countries has risen faster than production. While the rate of saving in most countries in the postwar period has exceeded previous records, the supply of saving has been unable to keep up with the rising demands for investment.

Defines Inflation

The inflationary pressures that are current in the world today arise, of course, from conditions far different from those that confronted our countries during the War, or during the postwar reconstruction period. Yet the essential cause of inflation is the same—excessive aggregate demand for the final products of our economies. The general rise in prices that is the result of such excessive demand produces many evil consequences.

Inflation creates the very economic imbalances that the **World Economic Survey** properly warns us to avoid. For inflation brings with it not only inefficiency in the management of resources and distortions in the patterns of their use. It inflicts grave social injustice, doing greatest harm to those least able to protect themselves. It erodes confidence in the value of money, and weakens one of the mainsprings of economic progress — the incentive to save. The risk today in many countries is not inflation of the runaway variety. It is the danger of a persistent, "creeping" rise in prices and costs, which will insidiously undermine the purchasing power of money and destroy the future personal security of people.

A stable price level is not, of course, a sufficient objective of economic policy. We should seek, in conjunction, a high level of employment and economic development. We must recognize that stable price levels contribute to the realization of our **common** goal in the United Nations—an expanding world economy of high employment and vigorous economic development. There has been a growing acceptance of the idea that high employment can and must be harmonized with price stability. No one—and certainly not the American people—will ever tolerate business stagnation and unemployment. I believe that all of us would agree, however, that increased welfare for all of our peoples cannot be attained if the need for protecting the integrity of our money is neglected or pushed aside.

One of the most encouraging aspects of the battle for financial stability is that the dangers of inflation are now widely recognized. People everywhere are growing tired of a rising cost of living and of money with a shrinking buying power. Knowledge of economic movements and of their causes and consequences is spreading rapidly. Today, great numbers of ordinary citizens understand that inflation can wipe out their personal security just as effectively as prolonged unemployment. They know that inflation reduces a country's ability to sell in foreign markets, and encourages excessive imports. They know that inflation has usually culminated in depression and unemployment. The importance of maintaining general price stability is now widely recognized as being coordinate in importance with the maintenance of employment.

Counter-Inflationary Policies

One of the outstanding lessons taught by the economic history of the past few years is that high employment and stable price levels are compatible goals of economic policy in free-market economies. Broadly speaking, high employment and reasonably stable price levels did coexist in the United States during the three years 1953-1955, and it is only during the past year and a half that general inflationary pressure on the price level has become manifest. Of course, this reconciliation of steady economic growth with monetary stability is not an easy task. Its achievement calls for economic statesmanship of a high order, and unremitting vigilance by the financial officers of our governments. It poses the primary economic challenge of our times.

General monetary and credit restraints are, and must continue to be, the primary means of reducing inflationary pressures. Fiscal policies which hold governmental expenditures to a minimum, keep tax revenues high, and generate budgetary surpluses, can also make a vital contribution to stable price levels. But monetary and fiscal policies, taken by themselves, will not suffice to deal with inflationary pressures which arise from private monopoly, from price-fixing and price-supporting activities, and from the internal immobility of labor and capital. Everything that is done to ameliorate these conditions will help protect the purchasing power of money and avoid inflation.

Reference is made in the **World Economic Survey** to the emergence of cost inflation as a key element in current pressures on price levels. The **Survey** contains the observation that monetary and credit restraints, taken by themselves, have not appeared to provide a remedy for this condition. The lesson to be learned from American experience with cost inflation during the past year is **not** that monetary and fiscal restraints are ineffective and should be abandoned. Rather, the lesson is that these measures need to be timely and decisive, and that they should be supplemented by other measures which will make the economy more competitive and flexible in operation. If the monetary fiscal environment is non-inflationary, and markets are open and competitive, businesses and labor unions are unlikely to pursue policies which contribute to cost inflation. In the United States, the vigorous enforcement of antitrust legislation and the gradual withdrawal by government from the supporting of agricultural prices at high and rigid levels illustrate lines of action that will fortify monetary and fiscal measures in preventing inflation.

Admittedly the problem of preventing inflation is especially difficult for those countries which must strive for economic development from a relatively low level of national income. Faced with relatively immobile resources and insufficient domestic capital formation to satisfy the demands for economic growth, underdeveloped countries often find themselves subject to internal inflationary pressures and to balance-of-payments deficits in their relations with other countries. As the Secretariat points out in its valuable study of the relationship between domestic policies and a country's balance of payments position, the emergence of such a situation is a warning that the pace of development is being forced too fast to be sustained in the long run. It also suggests that underdeveloped countries no less than the more developed countries, should do all they can to increase the internal mobility of resources and to invigorate competition in all markets as a means of eliminating "bottlenecks" and mitigating inflationary pressures.

There is no real dilemma involved in reconciling steady economic growth with internal and external financial stability. The question confronting a developing country is **not** whether it shall choose between more rapid growth without financial stability and less rapid growth with financial stability. The pace of a country's growth is, in any case, limited by the real resources available to it. An inflationary policy does not increase these real resources. It can only encourage their misapplication, and thereby impede rather than accelerate a country's progress in the long run.

Important Economic Events Of the Past Year

While the world economy expanded at a slower rate in 1956 than in 1955, total output soared to new all-time highs. The underdeveloped countries fared somewhat less favorably than the industrialized countries. Yet they made continued progress in developing basic facilities, in building new factories, and generally in laying the foundation for more rapid growth in the future. The international trade of the world set new records in 1956, increasing at a rate almost double that of industrial production. The international movement of private capital swelled to a new postwar volume. This continued expansion took place in the face of the most restrictive monetary policies our generation has known.

Free Economies' Strength Proven

The unexpected strain to which many countries, especially those of Western Europe, were subjected towards the end of 1956 as a result of the blocking of the Suez Canal and the accompanying political crisis was a severe test of their ability to withstand political and economic shocks. The crisis demonstrated the basic strength of the free economies. There was no significant reduction in overall economic activity, although particular industries in a few countries were adversely affected. Despite increases in oil and freight rates, price rises on the whole were moderate. No major disruption of the mechanism of international payments occurred. No major industrial nation found it necessary, on this account, to restore the restrictions on trade which had been gradually relaxed during the last 10 years.

An outstanding economic event since this Council last reviewed the world economic situation has been the proposed establishment of a European Common Market. The creation of a large continental market in Europe promises to give a tremendous stimulus to efficient production and improved standards of living in that area. Moreover, the Common Market can have major economic advantages from the point of view of third countries. In its broad lines the Treaty appears to promote the principles of multilateral, mutually-beneficial international trade. It seeks a high degree of competition and mobility of resources. It should contribute to the continuing movement toward increased world trade and convertibility of currencies. In sum, the Common Market can help bring about a lowering of trade barriers and a great expansion in international commerce—an expansion in which Western Europe, as one of the world's great trading areas, has a major stake and one from which all trading areas can be expected to benefit.

The United States also believes that the cause of international peace and security stands to gain from the achievement of prosperity and improved well-being in Western Europe. Therefore we believe the Treaty and the results it envisages are, in a very real sense, in keeping with the objectives of the United Nations and of the Council. These are some of the important reasons why my Government has welcomed the Common Market Treaty.

We in the United States have been studying the Treaty's provisions and endeavoring to analyze some of its many ramifications in relation to international trade and trade policy. We believe that any development which is so far-reaching, and in many respects so novel, merits careful and thoughtful consideration. Certainly, it can be expected to have profound effects upon international trade in the long-run. I shall not go into details regarding these possibilities, because the Treaty will be thoroughly reviewed within the framework of the GATT. As is the case with other countries, we are naturally interested in the possible effects of the Treaty on United States trade with the areas concerned. In the consideration of the Treaty by the GATT, which is now underway, our objective is to assure that those interests as well as the interests of all trading nations are safeguarded and that the multilateral trading system is further strengthened as a result of the initiative which the Common Market members have taken.

These hopeful developments in Western Europe during the past year stand in sharp contrast to events that have occurred in Eastern Europe. There we have seen how, under the Communist system, the aspirations of peoples for greater freedom and improvement in their standards of living have been met with repressive actions which have shocked the entire free world.

Recent Performance of the U. S. Economy

The productive power of our free-market economy is again being demonstrated in the United States. Gross national product in the first quarter of 1957 reached a seasonably adjusted annual rate of \$427 billion—the highest in our history and an increase of \$24 billion from the same period of 1956. In April, 1957 total personal income reached an annual rate of \$349 billion, an increase of 5½% over the corresponding figure for same month of 1956. While part of the gains in these monetary values reflect price increases, the growth in real output and real income has continued. During 1956 civilian employment reached a record of 65 million workers. Unemployment averaged only 3.8% of the civilian work force, reflecting a condition of full employment in the practical sense.

The increase in total national output has occurred in a year in which two important segments of the U. S. economy — automobile production and residential building — experienced significant declines in activity. In recent times large changes have occurred in the flow of resources through the several sectors of our economy. At various times there have been shrinkages in Federal expenditure for defense, in consumer spending for durable goods, in agricultural incomes, in business investment, and in spending by State and local governments. But declines in particular sectors have released resources that were utilized in other sectors, with an expansion rather than a decline in the aggregate volume of production.

Adjustments are, of course, inescapable in an unregimented economy with dynamic wants, resources, and technologies. The fact that they can occur without precipitating a general depression is evidence of the strength and resilience of our free-market economy. The noteworthy fact is

that the free economy of the United States has, under flexible fiscal and monetary policies, demonstrated its capacity to adjust production to changes in the pattern of demand without the application of direct economic controls by government. Since the brief setback of 1953-1954, the U. S. economy has continued to move steadily forward.

The new high marks in the first quarter of 1957 were reached after an economic expansion of about three years duration — an expansion of proportions which, only a few years ago, would have been thought unrealizable. Unemployment fell to a minimum. New investment has been planned and made on a massive scale. The intensive utilization of our productive resources has created an environment conducive to the development of inflationary pressures.

Recent U. S. Economic Policies

In this situation, the primary aim of our domestic economic policy has been to prevent inflation while accommodating orderly economic growth. To the extent that we succeed in holding real economic growth to the maximum sustainable rate, we shall help provide steadily-growing markets for the materials, products, and services of our trading partners in the world. The government's fiscal policy has been to keep tax rates high despite rising revenues in order to achieve a budgetary surplus. At the same time our monetary authorities have severely limited the expansion of bank credit and the money supply. This "tight money policy" continues to be in effect.

Countries which must struggle with problems of economic development in the face of extremely low productivity and a general scarcity of resources may wonder why, with all the resources available to it, money should be relatively scarce and interest rates should have risen in the United States. While the inflationary process is a complex one, and current sources of inflationary pressure differ from those of the early postwar years, the essence of the problem facing the American economy can be briefly stated.

During 1956 gross private domestic investment in the U. S. totalled $67 billion, with business outlays for plant and equipment alone increasing by 20% over 1955. This type of expenditure is obviously important for maintaining and expanding our productive capacity, increasing productivity, utilizing new technological developments, and providing the machines and the power for the one million new workers annually entering our work force. Yet during 1956 the total of personal and corporate savings amounted to only about $45 billion. Additional bank credit has filled the gap. Even though savings were higher in 1956 than in 1955, their growth was not enough to keep pace with increasing investment demand. The United States, along with most of the rest of the world, has been suffering from a relative shortage of savings. The inescapable result has been a sharp rise in interest rates charged for borrowed funds, as well as upward pressure on price levels.

Since the funds to meet demands for investment must come either from savings or from the creation of new money, borrowers tend to turn to commercial banks for money to obtain the resources they desire. To permit rapid expansion of the money supply through bank lending would, under existing full employment of our resources, simply mean intensified pressure on prices. It would not produce an increase in real national output. Resources made available to any one sector of the economy would have to be taken from other sectors, by a process of bidding up market prices. The economic law of supply and demand cannot, be repealed, even in a country which possesses large resources.

The problem of maintaining stability of the price level is currently a crucial one in the American economy. We are making progress in solving this problem, but we have not yet wholly succeeded. Despite ample capacity in many industries, including automobiles, textiles, and home construction; despite a substantial surplus in the Federal budget; and despite a money market under tight restraint, some upward pressure on costs and prices currently exists. It will be our continued effort to reduce inflationary pressures further, for the American people do not accept a "creeping" inflation of costs and prices as a tolerable condition.

It is well known that my country subscribes to the broad principle of competition in open markets as the best means of determining prices and allocating economic resources. The U. S. economy today is as competitive as it ever has been. Yet, to achieve the goal of a stable price level, we shall continue to explore ways and means of increasing the flexibility of individual prices. Part of the cure for inflation is more competition.

Future Prospects and Opportunities

It is precisely because our economic problems are continually changing in a dynamic world that policies aimed at promoting stable growth must—as President Eisenhower pointed out in his January 1957 **Economic Report to the Congress** — be flexible and ready to adjust to shifting circumstances. Within the last three years, U. S. economic policy shifted from one of offsetting contractive forces and bringing about renewed expansion to one of restraining inflation. Our government is prepared to alter its policy again should altered circumstances require it.

The **World Economic Survey** notes that the current expansion in industrial countries may be looked upon as the first peacetime expansion since World War II not fed by the pent-up demand of the immediate postwar period or by the pressure of military requirements. The period ahead therefore promises to mark an interesting phase in the world's economic history. Our countries will undergo a test of their ability to sustain economic growth and stable price levels under what we are entitled to regard as "normal" conditions of demand.

The future course of economic events is never a mere extension of the past. We know from experience that the path of economic development is not free of dips and turns. While no one can foresee precisely the nature of forthcoming events, the present indications regarding the course of the American economy during the balance of this year are these:

First, that capital expenditure by business will be higher in 1957 than in 1956;

Second, that expenditures by our State and local governments will also increase, and that spending by the Federal Government will at least remain at present levels;

Third, that total expenditure for new construction will continue at a high rate;

Fourth, that expenditures by consumers on goods and services will continue to expand;

Fifth, that our foreign trade and investment will remain high.

There are, accordingly, adequate ground for confidence that current U. S. economic expansion will continue through the balance of 1957.

The world is faced today with new tests which will determine whether free societies can be wise enough and disciplined enough to master their economic and financial destinies. Can we prove ourselves able to maintain economic growth, high levels of employment, and reasonable price stability, while maintaining the basic principles of individual liberty in a free society? If so, we shall have unlocked the gates to a future of even greater promise.

I believe we may gain confidence from reading the history of the period since World War II. Surely, it shows that great works can be accomplished when free nations apply themselves to their economic tasks with determination and understanding.

Forms Standard Funds

HOUSTON, Texas — Standard Funds Distributors, Inc. has been formed with offices in the Texas National Bank Building, to engage in a securities business. Officers are William E. Swantner, President and Treasurer; Max E. Wade, Vice-President; and Frank C. Fourmy, Secretary. All were previously with Standard Securities Service, of which Mr. Swantner is President.

Richard Harrison Adds

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Charles M. Hart is now with Richard A. Harrison, Inc., 2200 Sixteenth St.

K. V. Spivey Opens

PASADENA, Calif. — Kenneth V. Spivey is conducting a securities business from offices at 1732 Loma Vista under the firm name of K. V. Spivey & Co.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John L. Michels has been added to the staff of First California Company, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

B. A. L. Bixler Opens

GADSDEN, Ala. — Burr A. L. Bixler is engaging in a securities business from offices at 2508 Ava Marie Drive. He was previously with Carlson & Co.

T. D. Burnett Opens

SPARKS, Md.—Thoms D. Burnett is conducting a securities business from offices on Sparks Road. He was formerly with Vickers Brothers.

Form Fund Co. Inc.

The Fund Co., Inc. has been formed with offices at 40 Wall Street, New York City, to engage in a securities business. Officers are Paul A. Fund, President; Henry Gale, Vice-President and Secretary; John J. Renz and Joseph Milner, Vice-Presidents; and Sidney M. Zneimer, Treasurer.

E. A. Harris Opens

SAN ANTONIO, Texas — Eugene A. Harris is conducting a securities business from offices in the Gunter Building.

Form Helser Securities

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Helser Securities Co. has been formed with offices at 341 Montgomery Street, to deal in shares of Mutual Investment Company of America, a mutual fund. Officers are J. Henry Helser, President; Ben C. Bowie, Vice-President; Raymond J. Poland, Treasurer, and M. H. ver Mehr, Secretary.

H. K. Imada Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Henry K. Imada is engaging in a securities business from offices at 4588 Lowell Boulevard

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Depression-Proof Real Estate 1929 Compared to 1957

for rental to the institution purchasing the property and for operating income to the builder.

Assuming that the property was sold for the full $30,000,000, the institution would probably require a rental of 7% of $2,100,000 a year. If this were so, this rental would be entirely deductible in computing taxable income and leave the builder, who is now the lessee, with $900,000 per annum of income without any invested capital.

Thus there is created a handsome income, and the leasehold, providing such income, itself represents an equity of substantial value. The institutional purchaser feels that it is fully protected by the property and the leases, while the builder is afforded the opportunity to use his capital for the construction of another income-producing "project."

The purchaser calculates the rent in the aforementioned example at a 7% basis. If in the mind of the purchaser this represents 4% interest and 3% amortization, the purchaser is fully paid out at the end of 22 years. The years of pay-out, based on the interest factor used, are usually the years of the original term of the lease.

Reduced Renewal Rent

At the expiration of the original term, the renewal rent payable is reduced usually to 2½ or 3%. This percentage for the remaining life of the building represents a clear and secure profit to the purchaser. To the builder in our example, it means a reduction of 4% per annum in his rent charge, equal to $1,200,000 a year. This cushion developed through the dropped rent will either increase the builder's actual profits to $2,100,000 and thereby substantially increase his equity or, in the event that the times or the neighborhood have changed, will cushion and protect his $900,000 a year profit against reduced rents.

The institutions seek first class buildings, properly built with modern and far-seeing technical advances and rented to sound tenants of the type we discussed. They are running practically no risk. The builder by knowing his business has thereby developed substantial potential equities through his skill and has his capital free to go on to the next "project." None of this was possible in 1929.

It might be well at this point to call your attention to our balance sheet which has been substantially and favorably affected by sale-leasebacks consummated during the past six or seven years. You will note that notwithstanding our very active building program, we were able to end our last fiscal year with approximately $12,000,000 of cash and U. S. Government securities and with only a comparatively small amount of payables. It is Company policy to maintain a liquid position, with maximum buying power to take advantage of unusual opportunities whether in good times or bad.

Escalator Clause

In the **1929** era, the multiplicity of tenants occupying small space under short-term lease of three to five years resulted in high operating costs; also, the escalator clause had not yet been originated.

Today, not only are expenses less by virtue of full floor tenants against the multiplicity of tenants in smaller spaces that existed in 1929, but today's leases generally provide escalator clauses which require the tenant to increase rents where City taxes or labor costs are increased. Today, operating costs may increase, but if they do, the tenant's rent increases and the building is not caught in a squeeze between fixed income and increased expenses. This was unheard-of in 1929.

Individual Subsidiaries

In the **1929** era, because the builder's equity requirements were substantial, he frequently, if not always, resorted to short-term bank loans. The result was that when the depression came he lost not only his equity but, with all of his assets at risk, stood the chance of being and, in fact, frequently was wiped out.

Today, in the case of the sale-leaseback just as in the case of the mortgage, the lease or mortgage is granted to a separate corporation and none of the other assets of the builder are jeopardized. Since the equity required of the builder is small as compared to 1929, there is little if any resort to short-term bank loans.

While a severe depression could cause a default and loss of a particular "project" not insulated by sound long-term leases (which would assure sufficient income to keep rent, or interest and amortization payments current), a builder would not lose his other properties so insulated, would not lose his free assets and could not be wiped out.

Separate corporations are not a matter of being shrewed but today's normal business practice in that the mortgagee or institution grants its mortgage loan or leaseback solely on the credit of the "project" and its tenants rather than on the credit of the creator of the "project."

Stability

It is therefore apparent that practically all of the items of instability which plagued the "project" creator in the 20's are nonexistent today. There is now a stability to real estate and an ability to be protected against depression that did not then exist.

The "project" creator, secured by rents paid by responsible tenants under long-term leases which have escalator clauses, seems to be better protected and more certain of his future than most other businesses which are subject at all times to future changes in the national economy with few if any of these safeguards and protections.

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Automation and the Manager

is not in having push-button machines, but in being content with a "push-button type of thinking."

Persistent Stereotypes

These stereotypes are in large part the result of accepting the most obvious view of automation as consisting of specific automatic machines. Among the most important of these stereotypes are:

That automation is limited to companies with large dollar resources and exceptionally long runs of product.

That the ultimate in automation can be symbolized by an oil refinery or any other highly instrumented process plant.

That automation is primarily useful as a labor saving device.

That because automation is highly technical, it must be left to the technicians.

So far as the first stereotype is concerned — **that automation is limited to companies with large dollar resources and exceptionally long runs of product** — this is not true today and the time is not far away when there will be even less justification for making this statement than there is now, but the reason the impression has grown is easy to understand. It is true not only in the plant but in the office as well and is exemplified by the kind of thinking that leads people to start computer applications with a payroll, and to believe that unless they are large enough to support a payroll problem, they cannot justify a machine.

The automotive industry, an automation pioneer, has had great success with very expensive and very specialized industrial equipment, made for the requirements of a particular product. The large transfer machine complete with loading and unloading devices is well suited for this industry where literally millions of identical parts pass through a line before new equipment has to be considered.

Such machines are not so well suited to the estimated 80% of American industry that produces in lots of 25 or fewer identical pieces. Nor are they well suited for industries that frequently redesign their products, since any major change in design means costly readjustments at best and may even mean scrapping this expensive machinery.

But the new technology of automation that deals with feedback and control systems is producing new family of machines guided by magnetic or punched paper tape. These machines will make it possible to obtain the benefits of automatic production, yet retain the flexibility of operation essential for job shop production. They are only beginning to appear. Some forty different prototypes can today be found in the shops of machine tool manufacturers and during the next few years they will begin to have an enormous impact on the small lot producers of this country. It is my own conviction that these tape controlled machine tools are today undergoing the same evolutionary step that computers were between their inception in 1946 and their emergence en masse and wide application following 1950. I believe that during the next three years we will witness large scale shipments of numerically controlled machines and their emergence as a major new standard equipment in our factories.

But even today multi-million dollar transfer machines are not the only kinds of automation equipment suitable for factory use. Management that uses the excuse of small lots may well be guilty of what I call the fallacy of job shop thinking. For example, my firm was recently asked to suggest automation possibilities for one of the largest manufacturers of shovels in the world. This plant produces hundreds of different kinds of special-purpose shovels in small lots. Each kind, since its shape is unique, was being produced separately. The whole factory was nothing more than a collection of job shops under one roof. Yet analysis showed that about 80% of the company's production was limited to not much more than a dozen different models and that this, the great bulk of the plant's total production, could be made automatic without great difficulty. The most basic thinking about automation has not yet been done in this plant. Here, it is not simply a question of new machines, but of reordering the old machines and the old procedures in a more "systematic," more productive way. Although reorganizing existing equipment may go no further than introducing good principles of materials flow, it is an essential first step in integrating the fabricating operation, prior to linking the individual machines just as such integration must precede the introduction of over-all automatic control.

That the ultimate in automation can be symbolized by an oil refinery or any other highly instrumented process plant. An oil refinery where instruments and controls far outnumber the human workers gives the impression of being very highly automated. Compared with an automobile factory, it is. Yet nothing could be further from the truth than to say, as one business magazine did recently, that "the men have to be there anyway in case of emergency, so the extra costs of more instruments to read other instruments is not considered justified at this time." This is just one more example of a statement that misses the whole point of what automation really means to business.

Refineries have achieved what fabricating is still struggling for —a conversion from batch to continuous processing so that operation can be made automatic. But they are only beginning to feel the full impact of a second, and more significant, stage of automation, when the automatic operations will be automatically controlled.

Who Does Decision-Making?

The intricate controls that run a refinery **almost** by themselves are in a larger sense not really running it at all. As things stand, the variables of processing—temperature, pressure, level and rate of flow — can be maintained at desired values without human intervention through the use of feedback control devices. But the values themselves must still be selected and the control instruments adjusted accordingly. In many cases, it is not possible to determine the relationships among these variables that will hold true throughout an entire process. This means that an operator cannot come to work, set his controls and go home. He must reset them every time a test of the product during processing shows that changes are needed.

Thus, it is the operator who does all the decision-making. Since a refinery is an extremely complex operation, it is more a matter of luck than science when he makes the best possible decision at any given moment. The result is that even such a highly automated industry as refining works most of the time on a trial-and-error basis. Even the best refinery, if we are to judge from some tests that have recently been run using the instrument records of several first rate refineries, probably does not operate at optimum for more than a few minutes out of the entire 24-hour operating day. The rest of the time output is fluctuating around — and sometimes quite far from — optimum. Genuinely effective control, it is estimated, could increase yields by as much as 30%.

If you are dealing with a process that allows blending to achieve an acceptable final product, as is the case with petroleum refining and the manufacture of many chemicals, control such as this may not be so bad. (This, incidentally, is one reason there are so many acres of tank farms surrounding most refineries—to hold product for blending.) If you are manufacturing some of the new complex synthetics, such as dacron for example, it is another story. You cannot make up for sloppy controls by blending because the product is either right or it is not, there is no in-between that can be corrected by adding a little something extra at the end. Such processes require that an exquisite level of control be maintained between many rapidly fluctuating variables and the only way it can be done is by use of a highly complex, over-all control system. Because of the lack of such control equipment today, a great deal of the output of such plants goes into waste, with a resultant high cost of such products.

In spite of the impressive and numerous dials on the control panels of a modern process plant, the actual control of the process is still in a primitive state. To achieve genuinely effective control, all the individual controls will have to be integrated into a single coordinated, self-regulating system. Just as a single machine designed on the feed-back principle notes and corrects variations in its output, so an integrated self-regulating system will note and correct variations in the end-product of an entire plant, making precise and instantaneous adjustment whenever the product itself shows any variation from optimum quality. Since the control of a number of variables to produce a desired end is essentially a calculating operation, the integrated operation of the process plant of the future will depend upon an electronic computer to analyze, correlate and correct the operations of the individual control devices.

There are two reasons why no processing plant is using a computer in this way. We do not yet possess a computer that is reliable enough to operate suitably in an "on line" capacity for long periods of time, although we are very close to achieving one. More serious, we simply do not know enough about how process variables affect each other and the end product. We do not yet have instruments that can measure reliably, accurately, swiftly, and continuously all the variables of refinery operation, and we do not yet know how to measure, relate and reduce to equations that a computer can handle, all the process conditions that determine the quality of a given end product.

Will Link Plant and Office

Over the long run, automation is going to change the traditional distinction between plant and office, linking them together as a single interconnected system.

Aside from perfunctory, overly enthusiastic movements aimed at "applying the efficiency engineering methods of a modern factory production to the work of the office," there has been little real consideration of the plant and the office as essential and fundamental parts of the same whole. Of course, it is merely a truism to remark that the activities of the two are inseparably interrelated. The receipt of an order by the order department means that invoice and production requirements, purchasing, payables, machine loading, and receivables, are all altered. The complexity, size, and time requirements of a part machine, part manual system do not allow for instantaneous adjustment of all these relationships, but rather make it necessary to batch them, and to deal with them in groups at specified time intervals, often after many days' delay.

Even where management has recognized that these activities are interrelated, it has not had the means to link them together mechanically. Automation provides us for the first time since the growth of complex organizations with a means for gradually making these organizations function as better systems—sensitive, flexible, and adaptable to change.

The first step has been the development of automatic logging devices, specifically in the form of automatic typewriters, which print out in sequence the reading from each instrument. Readings that represent variations greater than normal are typed in red, and a machine can be programmed so that it will index, skip to the bottom of the log sheet, type the off normal reading in red, and get back to its business on the upper half of the log sheet, putting on quite a show for the engineers who have been alerted by sight and sound alarms.

It was only a short and obvious second step to attach a paper tape punch to the automatic typewriter. Instrument readings are thus automatically made quickly available, in a form that can be processed through a calculating device which will actually perform the engineering calculations of, for example, yield in a refinery. This is exactly what the Tidewater Oil Company is doing in its newest refinery.

Thus far, equipment has not been developed for the completely automatic control which will be achieved when each of the regulating instruments can automatically correct variations in the variable it measures. Nonetheless, it is an important step to be able to derive accounting and production data directly from the process itself, thereby eliminating the costs, the delay, the inevitable error, and the boredom of manual recording, recopying, and eventually keying information into an office machine for subsequent reprocessing. Once it is possible not only to scan automatically and record variables, but to compute the best course of adjusting them, the feed-back loop will be closed, and the entire process can be controlled in terms of changes in the characteristics of the end product. When this end point control has been brought about, management will have a far higher level of control over the process, and the interweaving of plant and office will be even more complete.

Management Will Control

Once these technological hurdles are overcome, as they surely will be within the next few years, management will be in a position to exercise really tight control over the processing operations and to produce increased yields of better products, probably at lower costs. The limiting problems hampering the development of automation here are technical ones.

But in the office, the problem is quite different. The kind of feed-back controls that processing plants cannot yet make use of are readily available to office management right now in the form of computers and other automatic data processing equipment. There are over 1,000 internally programmed digital computers already in existence. About 200 of these are large-scale, or giant, machines costing upwards of $1 million apiece. The remainder are the new medium-scale machines. A score or more manufacturers are shipping one to two electronic computers every day and many more companies are making auxiliary equipment. General Electric recently predicted that within five years U. S. industry alone will be spending $500,000,000 million a year on computing equipment.

Management need not wait for further technological advances. In fact, so far as automation in the office is concerned, all technological development could stop dead today and it would still be many years before management could boast that it was fruitfully applying the machines and techniques it already possesses.

That it is not applying them fruitfully today is revealed, I think, by a survey recently completed by my firm of an extensive cross-section of business organizations that are currently using automatic data processing systems. The results of this survey show a fairly discouraging picture but one that I think might have been anticipated. For while most computer owners showed a vague general satisfaction with their machines, detailed and precise questions indicated that a great deal of this satisfaction can be traced to a lack of understanding of true potential and corresponding set of lower goals and aims. My personal suspicion is that in some instances there was also a natural reluctance to admit frankly that "we made a mistake." One indication that this suspicion is not an exaggeration comes from a comment made to me not long ago by one of my colleagues, a man who has worked closely with computer users all over our country. "You can pick up that phone on your desk," he said, "and in half an hour you'll be able to buy full daytime shifts on any one of 20 large computers that have been installed by businesses that aren't using them full-time." Some companies have spent hundreds of thousands of dollars on these machines and, after they have been installed, find that they are using them only as little as a few hours a day.

It is for this reason that the stereotypes of automation as a labor-saving device and automation as a problem for technicians, which are prevalent in so much management thinking, are particularly serious when they are applied to automation in the office. For here, the chief technical barriers have been overcome: it is only barriers in thinking that prevent management from getting out of automation what it could.

Attacks Most Pernicious Stereotypes

That automation is primarily useful as a labor-saving device. This is one of the most pernicious of all the stereotypes of automation because, at first glance, it seems so plausible. Steadily mounting clerical costs are a serious problem for office management. Consider these facts for a moment. Between 1920 and 1950, the number of U. S. factory workers increased by 53%, but the number of office workers increased 150%. Today there are almost twice as many office workers as there were in 1940. One insurance company that installed a computer to handle some of its office procedures had been plagued with recurrent shortages of clerical labor for 15 years. Small wonder that automatic data processing equipment is often looked on as the answer to a management nightmare.

And the fact is that machinery of automation in most cases probably will make some dent on this problem. For just one example, Commonwealth Edison in Chicago has used an IBM 702 computer (which they have just replaced with a 705) for billing its utility customers. Although programming the machine required 35

man-years, almost double the original estimate, and "debugging" the computer after it was installed took nearly 15 man-years and 1,000 computer hours, the machine is now at work and the company needs many fewer clerks in its financial and accounting section. This kind of saving has led a lot of management thinking to run this way: "If we buy a computer and let it handle our payroll or some other large routine procedure, it will soon pay for itself because we can get along with many fewer people and punched card machines. Then, after it has the payroll under its belt, we can begin to let it solve some of these big intangible problems that you can't even put a dollar value on.

The trouble with this kind of thinking is that it overlooks the remarkable potentialities of these machines for doing what cannot be done at all without them. Payroll, after all, can be handled perfectly adequately by punched card machines: the paychecks come out on time and they are accurate even though it may take the time of a great many clerks to make this happen. Putting such routine operations as these on a computer may pay for the computer in the end but it can never do a great deal more than that. Commonwealth Edison, itself one of the best run computer installations, has discovered that the real pay-off for their company is in the use of the computer to solve operational problems. Here, the most important savings apparently are not going to be in the clerical area, but in the realm of decision making.

Executives will never realize the potential of the new equipment if they persist in thinking of automatic data processing in terms of merely eliminating a few or even a good many employees by speeding up old procedures and routines. Mechanization of existing procedures, after all, may merely result in compounding and perpetuating inefficiency. The real aim is not to speed up an old job but to do a better job. Part of the challenge of automation to management is learning to use new tools to solve new as well as old problems.

Provides an Example

For example, the accounting department of a company may spread its work on accounts payable among five bookkeepers, a check issuing department and a mailing department. The installation of automatic data processing equipment might easily eliminate three of the five bookkeepers. But re-thinking the problem might result in a new approach that would make it possible to automate the whole operation so that automatic equipment would perform not only the entire accounts payable function but would also automatically issue the checks, put them in envelopes and post them. The dollar savings of such automation would be many times the mere salaries of three bookkeepers.

But the big benefits from automatic data processing will come only when management learns to use automation for its unique ability to provide more complete, more accurate and more timely information about a business.

The thought of more information is a frightening one for the executive who knows that his desk and briefcase are already bulging with information he had not even had time to read, let alone digest. When my firm analyzed the operations of a large publishing company, we found that the President received 621 reports during a three month period, nearly one for every working hour. Moreover, as W. W. Smith of General Electric pointed out: "The mass of reports management receives today may be likened to a daily newspaper printed without headlines and without punctuation, without spacing between lines and words, and without capital letters. The mental gymnastics required to determine exactly what is going on is asking too much."

But management, if it uses the new tools correctly, will soon find that what it has now is not really too much information but not enough of the right kind because the mass of data is too great to be processed by conventional equipment. It will be able to do two kinds of things that it cannot now do at all or can only do in a rudimentary manner.

Will Plan in Advance

First, it will be able to plan in advance on the basis not of guesses and hopes but of facts because automatic data processing can give realistic answers to "what would happen if . . ." questions. A major domestic U. S. air line asked one of these questions when it put maintenance scheduling on a computer. Whenever, a plane breaks down, an airline has a complicated rescheduling problem with literally thousands of possible solutions. In effect, the airline asked a computer about each flight on its schedule: "What would happen if this flight should break down tomorrow? What is the best way to use our other planes while that one is being repaired?" The computer was able to run through all possible solutions in a few hours and to pick the best one in each case. As a result, this particular airline has saved one standby Constellation in each of six airports at a saving, for each plane, of $1 million a year in lost revenue. When jet planes come into use, the comparable saving will be $5 million a year for each plane. By way of clarification I might add that solution of this problem did not depend upon a mathematical or statistical formulation of the problem. This approach to the problem proved too difficult, too costly, and too time consuming. The solution that worked was simply a time compression of schedules run on a large scale computer.

In many areas of business today we must make decisions based on incomplete information, and so "fly by the seat of our pants," as we say in the United States. For example, recalculating complicated budgets or schedules to determine ahead of time the precise effect of a certain decision is too great and too long a task to be practical except when the decision is a major one. Automation gives us tools to practice this type of "what would happen if" management, allowing us to build models of alternative solutions, and so gives us quantitative answers about the effects of contemplated policy changes. Thus, in the example above, the airline was able to experiment on paper—or more exactly, on magnetic tape—and to predict the consequences of alternative procedures.

Will Get Quick Answers

Second, management will be able to get quick, complete answers to problems whose solutions now are incomplete and often arrive too late to be of great use. Recently, a major publishing company was forced to discontinue two of its publications, both widely circulated and historically important magazines. There were many, complicated reasons why this action was necessary, but here is a case where the use of automation for decision making might have prevented the disaster.

Because of difficult financial conditions, it was known before the discontinuance of the two magazines that the publication of a third company magazine might be terminated and its resources thrown behind the other two. It was necessary to determine what proportion of the circulation of this magazine duplicated subscription to either one or both of the other two magazines.

Circulation records were kept on punched cards, but they were of such volume that a cross check of the entire three lists was too expensive. Unfortunately, the sample that was taken proved imprecise, and the company underestimated the number of "cross subscriptions." The result was that the company experienced a severe cash drain that set off a series of chain reactions at a very critical moment. All three magazines were finally discontinued.

Although such a serious error in decision making need not be fatal in a strong business situation, it was in this case. And this case is one where advanced automatic data processing could have been used to make the necessary calculations before the final decision, and possibly have averted the collapse of the magazines.

When automatic data processing are used in this way, it can actually turn the present art of management into a real science of management. Looked at in this light, it becomes clear that management which puts labor-saving first has its eye on the wrong ball. More efficient operation and better control are the real goals. If labor is saved as a by-product, so much the better.

The Technician's Job

That because automation is highly technical it must be left to the technicians. The machinery of automation is indeed extremely complex. The science of communication and control, on which it is based, is easily among the half dozen most advanced frontiers of technology, and the computer is the most advanced piece of equipment yet built in this field. But nobody is asking you to build a computer or to repair one if it breaks down.

Those are jobs that only technicians can do. Management too has a unique function and one that is, in its way, as complex and difficult, perhaps more so. Truly fruitful results from automatic data processing systems require a fundamental change in approach, an understanding that the best applications are not the result of mechanization or streamlining of existing procedures, and a willingness to rethink the problems of an entire business in terms of ultimate goal and final product. These are not technical problems. They are problems of method, organization and attitude and they require managerial imagination, skill and experience rather than technical proficiency. Automation, simply, is one of the critical areas in which management must manage.

But instead of realizing this crucial point, management has, more often than not, become so intimidated by the complexity of the hardware that it has allowed technicians to take over not only the operation of the machines but the actual decisions about how they are to be used. This has led to whole series of difficulties.

To begin with, there is the electronics committee. Countless times I have heard otherwise responsible executives say, when I asked them what they were doing about automation: "We have formed an electronics committee." And they have said it in a manner that implied that the problem was taken care of. In practice, this often means no more than the committee spends a year—or in one case I know of, three years—wandering about the country, attending manufacturers' schools and visiting computer installations. This experience is somehow supposed to be sufficient for making critical decisions about the highly detailed process of automating.

All too often the electronics committee has been a device for creating the impression of doing something about automation while at the same time avoiding any action that could possibly backfire. Many managements genuinely seem to be looking at automation as if they were walking around the edge of an ice cold swimming pool, realizing that sooner or later they are going to have to jump in but trying to postpone the occurrence with as much rationalization and fact-gathering as possible. In one case, the electronics committee of a major oil company, after a year's study, actually presented the final equipment choice to the president of the company by asking him to choose between the machines of two different manufacturers.

The installation of automation equipment should not be made unless a thorough understanding of the business itself, and the functions and needs of its operations, underlies it. Most engineers underestimate both the importance of this point and the difficulties of grasping the complexity of modern business operations. While the businessman may regard the specialized knowledge of the engineer with something approaching awe, the engineer frequently regards the unfamiliar processes of business as something that can be mastered in a few months. Glenn White of the Chrysler Corporation has remarked out of the experience of his company that "we are satisfied that the way to put together a team of people to work on electronics is to take somebody who has good knowledge of how to run your business, a good systems and procedures man, if you please. They can be trained in electronics much earier than somebody who knows electronics can be trained in how to run your business."

Sets Up Criteria

(1) Define Your Objectives.

What do you want automation to accomplish for you? This is a question that cannot possibly be answered without a thorough preliminary systems study that will enable you to recognize what problems you want to deal with and how your own organization can best go about handling them.

The first thing to realize is that there is no point at all in automating simply for the sake of automating and a great deal of point in not going about it that way. It is a rare executive who will be willing to admit that his company is investigating automation simply because his golf partner's company already has equipment installed, or because he has been overwhelmed by the glamorous advertisements and newspaper stories, or because he has a vague feeling that "perhaps we had better look into this new thing." Nonetheless, I believe that there are at least as many supposedly hard-headed businessmen who have bought expensive equipment on this basis — and lived to be disappointed in it— as there are businessmen who gone through the practical, painstaking and time-consuming process of a thorough analysis of the entire organization as an integrated system.

Management that has taken this indispensable preliminary step will never make the mistake of confusing the tangible possession of the hardware of automation with the practical use of the concept. Nor will it commit the fallacy of the "step by step" approach. A phrase that is often heard is: "We are taking a step by step approach to automation." This, as indended, conveys the impression of caution and proper business reserve. But the fact of the matter is that it often means that another uncoordinated misstep is being taken into automation. What is so misleading about this approach is that, while caution is a desirable thing, the whole concept of systems analysis and design, which is basic, requires a careful and detailed plan for the entire organization if the benefits realized are to be more than marginal. Following a step by step approach has all too often resulted in throwing out the previous step and redoing a great amount of work in installing the procedures and equipment associated with the new steps. This approach also is likely to mean mechanizing old procedures one step at a time instead of finding out whether some of these procedures are not outmoded altogether.

Such a thorough analysis will also prevent the management of medium-sized concerns from falling into the trap of trying to use the same approach to automation as that of very large companies. A company like Du Pont, for example, can afford to buy a computer and experiment with it on a single application or a series of separate applications. In these giant organizations, enough people are involved in a single process like payroll or billing so that at least a superficial case can be made for mechanizing this one job, if for no other reason than that the company is gaining experience in computer use. But the data processing activities of smaller firms are typified not by their routineness but by their variety and interconnection. To lift one department arbitrarily from this interconnected whole for the sake of speeding up its routine processes will never lead to the ultimate goal — the design of a streamlined information processing system best suited to the particular requirements of the individual organization.

And, just as important, a thorough systems analysis and a careful thinking through of objectives will save management from the opposite but equally serious mistake of trying to make too fundamental a change in one pass. It is often necessary to do what I call "rethinking" in order to define your objectives. Often what we believe to be our problems are in reality symptoms, the true problem lying far deeper. It is important that we do not go about trying to automate symptoms.

Similarly, it is often necessary to redesign the product or the process or both in order to make automation feasible. In stating your objectives, you must be careful not to define yourself out of automation altogether. For example, in designing a highly automated plant for the manufacture of telephones my firm was faced with the problem of automating the manufacture and assembly of some intricate electrical circuitry. If the task had been defined in terms of assembling the product as it had been designed for hand assembly, the equipment investment would have been prohibitive. By defining our objective as creating a network circuit that could function just as the old one did, we were able to redesign the equipment in such a way that automation proved feasible.

(2) Find the Right Man to Run Your Automation Program.

It is not enough to realize that an automation program is best run by choosing a man who understands your business, rather than by an engineer who understands automation equipment. It is of crucial importance to choose the very best man you can find to head up your program.

My experience has been that most top management is appalled to learn that it will not only have to put a key person in charge of automation but that he will have to spend as much as a year simply studying the problems and learning how to solve them. "Why, I can't spare my best man," executives have said to me. "I have to keep the business running, don't I?"

Nonetheless, it is false economy to do anything else. Consider what responsibility for an automation program means. It means

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Automation and the Manager

a thorough study of the entire business and a well-grounded understanding of its aims and goals. It involves responsibility for making a detailed systems analysis. While it does not necessarily involve intimate knowledge of the technical details or the logical design of the internal circuitry of equipment, it involves something much more important—knowledge of what machines are available and what their advantages and disadvantages, their potentials and limitations, are so that the equipment that is finally purchased will be the equipment that best fits the needs of the system. It involves responsibility for setting up a training program within the organization for those who will actually be using the equipment. Finally, it involves running the automation program once the equipment is installed.

To give this responsibility to a superannuated Vice-President simply because he can easily be spared from present operations is practically to guarantee at least partial failure for the whole automation program before it starts.

(3) Estimate Your Costs Carefully and Realistically.

One important reason that hoped for savings from automation have failed to materialize is that management has not always been realistic about costs.

The trap is a two-fold one. It is partly in thinking of the machinery by itself and not recognizing the associated, often hidden, costs of applying it, and in part by starting to plan for the equipment by assuming that the cost must be justified by demonstrating immediate and obvious savings, primarily in labor costs. Since the most immediate and obvious saving probably is a reduction in labor costs, this consideration more often than not, both becomes the justification for buying the equipment and dominates the use of it after it has been installed. In the process, the possibility of capital savings so substantial as to dwarf any conceivable gains from labor savings are overlooked altogether.

For example, in the case of a paper making machine, the introduction of an automatic control system on the city block long equipment is not likely to remove a single man from the payroll, since they will all be needed to handle breaks in the paper and to run the new equipment, yet it may allow an increase in the speed of the equipment from say, 2,000 feet per minute to 2,500 feet per minute. When this happens to an investment of $10 to $15 million, the increase in the productivity of the equipment results in a sizable decrease in the capital cost per unit of useful product, in the manufacturing process.

Similarly, the economics of computer installations are badly understood. For one thing, management has often failed to realize that the cost of installing a computer and converting existing procedures in most cases very closely approaches the cost of the computer. Briefly, this means that if you are planning to spend a million dollars for a computer, you had better count on spending an additional million dollars for planning, installation, and conversion costs. These may not all appear in the direct cost breakdowns associated with the computer, but they are very likely to be real costs borne by the organization in assimilating the change. If you fail to take this into account you are bound to be disappointed in the length of time that it takes the computer to pay for itself.

It is also important to understand that once the system is in, the largest expense will be the cost of preparing data for the machines. If additional useful information can be extracted as a by-product of something the computer is doing anyway, the economics may be enormously changed. That is why payroll is seldom the best way to use a computer. To put it on the computer in the first place is complex and time consuming and once it is on, there is not likely to be any easy way for management to get additional useful data from this application unless it has been planned as part of a system having several objectives beyond payroll preparation alone.

(4) Train Your Personnel.

Just as important as finding the right man to head your automation program is the realization that personnel to run the program do not necessarily have to be hired from outside your own organization. In fact, there are a lot of reasons you should rely far more heavily upon training your own personnel than attempting to bring automation specialists into your organization.

The training of personnel in analytical procedures, machine operation, and programming is one of the most critical problems of a successful automation installation. It involves good insight into how to train, retrain, and select already employed personnel to work with the new equipment and the new procedures. To go far afield to find help only complicates matters further. The mad quest for skilled scientific personnel that is currently taking place in the States has brought a large group of automation "job floaters" into existence, a group that although it may have had all too frequent acquaintance with various types of equipment, is unstable, and often disruptive to an organization when introduced into a company structure over the cries of good personnel people.

When you come right down to it, one cause of the trouble is that the hardware of automation is being shipped faster than competent people have been trained to operate it. But the answer is not to go into the job market for specialists. Good ones are exceptionally hard to find, and money is no longer an incentive for the already highly paid experienced man. These men are looking for very specialized kinds of opportunities. The solution is to train personnel from your own organization.

Wide Education Needed

Automation not only presents management with a training problem. Education, in the widest possible sense, is the most urgent problem of automation. How should we go about educating ourselves for life in this new age?

On all levels of working and living we will need more education. Beyond retraining those who already have jobs to prepare them for more highly skilled work, we must all of us face the larger problem of how we are to increase our resources of good engineers, scientists, and trained technicians. This problem will grow more acute in the years ahead. We will have to develop ways of making higher training available to those best suited to make good use of it.

But the question of education goes far beyond better training for work in specialized fields. Many of the new jobs will require an increasing ability to think and to judge, increased education in the largest sense of the term. Management will need these abilities on a higher level. For the role of management will widen, not narrow, as a result of automation and it would be a grave error to assume that the task is simply to train management in technical skills. Management must learn new skills it is true, but these skills are uniquely managerial and call for the best effort that we can all give to the problem of trying to define the qualities that are needed for successful management in an age of automation and then to learn how we can both acquire and teach these skills.

This problem, I am convinced, is the fundamental problem automation poses for management.

Forms Midas Securities

UNION, N. J.—Midas Securities has been formed with offices at 1646 Earl Street, to engage in a securities business. Nicholas Solowey is a principal of the firm.

Forms Mutual Inv. Plans

Mutual Investors Plans has been formed with offices at 62 William Street, New York City, to engage in a securities business. Lionel H. Syoms is a principal.

With H. Carroll

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Theodore J. Grouya and Sidney M. Zipperman are now connected with H. Carroll & Co., 324 North Camden Drive. Mr. Zipperman was previously with J. Logan & Co.

Two With Norman Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Frank M. Gillespie and Richard W. Young are with Norman Dacey & Associates, 114 State Street.

Two With Hincks Bros.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Warren B. Cederholm and Mark F. O'Brien are now with Hincks Bros. & Co., Inc., 872 Main Street.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Charles P. Brown, Jr. and Joseph C. Samaha are now with Schirmer, Atherton & Co., 49 Pearl Street.

Scranton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Elizabeth L. Oviatt, Walter St. John Benedict, Jr., and Peter B. Wright are with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles F. Adams is now with Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Two With Link, Gorman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John H. Stevens and Bert X. Wahl have become associated with Link, Gorman, Peck & Co., 208 South La Salle Street. Both were formerly with Bache & Co.

Sutro Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Arthur J. Nelson has been added to the staff of Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Stewart, Eubanks, Meyerson & Co.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—James J. Duffy has become affiliated with Reynolds & Co., 425 Montgomery Street.

Continued from page 4

The State of Trade and Industry

producing at top speed in the first half of 1958 as a hedge against a possible labor shutdown.

In the automotive industry the Big Three auto plants are scheduling their shutdowns for 1958 model change-over almost exclusively for September and, unlike last year, expect to maintain steady employment throughout August.

"Ward's Automotive Reports," in noting strong auto assembly the past week, said that "both Ford Motor Co. and Chrysler Corp. will build their 1957 models throughout August and are scheduling output gains for the month of 90% to 100% over August of 1956."

The sharp production increase, which bodes well for the Detroit area, stems from the fact Ford began the change-over close down Aug. 17 and Chrysler Corp. as early as Aug. 10 last year. Ford, this year, will close down nearly five weeks and Chrysler Corp. divisions two to four weeks later than in 1956, this trade weekly notes.

General Motors Corp. change-over shutdowns, on the average, will occur earlier than last year but, as in the past, they will take place in September, according to the statistical agency.

"Ward's" counted 118,252 passenger car completions for this week compared with 119,857 last week, marking the third straight week of steady operations.

The past week's production brought the entire month of July to 495,631 car assemblies in United States plants compared with 448,876 in the like week of 1956; it also marked down the 4,000,000th completion of the year for this week.

Launching 1958 model car assembly last week was Lincoln; joining Edsel now in its third week of such operations. Meanwhile, American Motors Corp. auto workers, their 1957 model run ended, began a two-week vacation shutdown; Studebaker-Packard Corp. is scheduling a halt for change-over Aug. 19-24.

"Ward's" said that Chevrolet out-produced Ford in July, cutting Ford's year-to-date lead to about 2% compared with 6% at end of March.

Willys truck output was halted last week for three weeks, two of which will be devoted to annual vacation.

Steel Operations This Week Scheduled to Rise to 81.7% of Ingot Capacity

With some notable exceptions, metalworking had a better first half in 1957 than it did in 1956, declares "Steel" magazine, the current week. The outlook for the second half is good, but appliances, construction and automobiles will need an upswing if the industry is to overtake its 1956 profits.

The metalworking publication said steelmakers could have a near-record year despite a spotty first-half and a softening in the market the past month. Industrialists are divided on whether total net income will exceed that of last year. Most think it will.

First half earnings would have been much better than they were but for the universal problem, the profit squeeze, it adds.

Although most blue chip companies reported a better first-half this year than last, about 30% of all companies surveyed by "Steel" had lower net earnings, while five out of six firms look forward to a better second half. Few think it will be substantially better.

According to this trade publication, the sales outlook for this year will exceed 1956, while sales of 1958 car models are expected to keep earnings ahead of 1956. Appliances and machinery are expected to show a slight upturn in the second half, while office equipment appears to be set for another record year. As for the steel industry a prosperous fourth quarter is looked for.

The publication added that it now seems pretty certain that the over-all economy has enough momentum to make a strong finish in 1957.

As far as metal inventories go, buyers seem to be well satisfied with present stocks. Seventy per cent of the respondents in the magazine's quarterly survey expect no change in the fourth quarter. Most fabricators have 30 to 60 day inventories of mill products.

Steel buying is on the upturn. August order volume is bettering that of July, and prospects are promising that substantial tonnage for September and later delivery will be placed before the end of this month. The improvement is apparent in practically all products, continues this trade weekly.

The steel price adjustment is about completed. Impact of the advances is being reflected in durable finished goods. "Steel's" arithmetical composite on base prices of finished steel remained at $146.19 a net ton for the week ended July 31.

Its composite on prime steelmaking scrap rose to $54.50 a gross ton, up 50 cents, after declining steadily since the end of June.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 81.7% of capacity for the week beginning Aug. 5, 1957, equivalent to 2,092,000 tons of ingot and steel for castings, as compared with 79.4% of capacity, and 2,033,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 78.7% and production 2,015,000 tons. A year ago the actual weekly production was placed at 1,415,000 tons or 57.5% as a result of the strike by the AFL-CIO United Steelworkers Union.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Last Week Advanced Moderately Above Prior Period

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 3, 1957, was estimated at 12,474,000,000 kwh., according to the Edison Electric Institute. Output the past week registered a moderate increase above the previous period.

The past week's output advanced 231,000,000 kwh. above that of the previous week; it rose 1,284,000,000 kwh. or 11.5% above

the comparable 1956 week and 1,549,000,000 kwh. over the week ended Aug. 6, 1955.

Car Loadings Register Fractional Declines for Latest Week

Loadings of revenue freight for the week ended July 27, 1957, declined by 6,952 cars or 0.9% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended July 27, 1957, totaled 736,407 cars, an increase of 86,601 cars, or 13.3% above the corresponding 1956 week, when a nationwide steel strike was in effect, but a decrease of 54,019 cars, or 6.8% lower than the corresponding week in 1955.

U. S. Automotive Output in the Latest Period Marked Third Straight Week of Steady Operations

Automotive output for the latest week ended Aug. 2, 1957, according to "Ward's Automotive Reports," marked down the 4,000,000th completion of the year for this week.

Last week's car output totaled 118,252 units and compared with 119,857 (revised) in the previous week. The past week's production total of cars and trucks amounted to 139,386 units, or a loss of 2,269 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 21,134 trucks made in the United States. This compared with 21,798 in the previous week and 20,764 a year ago.

Last week's car output fell below that of the previous week by 1,605 cars, while truck output declined by 664 vehicles during the week. In the corresponding week last year 111,157 cars and 20,764 trucks were assembled.

Business Failures Rose Sharply the Past Week

Commercial and industrial failures rebounded to 281 in the week ended Aug. 1 from 228 in the preceding week, Dun & Bradstreet, Inc., reports. While the toll was about even with the 282 last year, it edged 1% above the prewar level of 277 in the similar week of 1939.

Most of the week's increase occurred among casualties of $5,000 or more, which climbed to 242 from 195 a week ago and 234 in 1956. Small failures, those with liabilities under $5,000, rose slightly to 39 from 33 in the previous week but remained below the 48 of this size last year. Liabilities in excess of $100,000 were incurred by 15 of the businesses failing during the week, as compared with 16 in the preceding week.

Trade and service accounted principally for the week-to-week rise, although all functions had higher tolls. Retailing casualties increased to 131 from 115, wholesaling to 28 from 15 and commercial service to 22 from 12, while manufacturing edged to 56 from 51 and construction to 44 from 35. More concerns failed than last year in wholesaling and construction but slight dips from 1956 prevailed in other lines.

All except one of the nine major geographic regions reported heavier casualties in the week just ended. The most noticeable rise lifted the toll in the Middle Atlantic States to 85 from 65. In the Pacific States, failures rose mildly to 80 from 71, in the East North Central to 39 from 30 and in the South Atlantic to 27 from 18. The West North Central Region accounted for the week's only decline. There were mixed trends from 1956; tolls ran slightly higher in four regions but dipped in the other five areas.

Wholesale Food Price Index Attains New 25-Month Peak

Marking the fifth week of rising wholesale food costs, the Dun & Bradstreet wholesale food price index for July 30 advanced to $6.37 from $6.35 a week earlier, representing a further new high since June 28, 1955, when it was $6.42. It compares with $6.08 at this time a year ago, or an increase of 4.8%.

Moving upward in wholesale cost last week were wheat, corn, barley, hams, bellies, cocoa, beans, potatoes, raisins and hogs, while flour, rye, lard, sugar, coffee and cottonseed oil were lower.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level at Highest Point Since Early February

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued its rising trend the past week to reach the highest level since early last February. The index went to 294.40 on July 29, from 293.59 a week earlier and compared with 288.71 on the corresponding date last year, or a rise of 2.0%.

Trends in grain futures were mixed during the week. Cash markets were also irregular with wheat, rye and oats slightly lower, while corn and barley registered small gains. The demand for wheat was generally light despite smaller primary receipts. The decline reflected in part the failure of any large scale bakery flour business to develop. Reports in the trade indicated that many bakers already are covered until the end of this month and possibly into August.

Rye prices declined sharply at Minneapolis, influenced by the approaching harvest and lower wheat prices. Oats prices were off with increased receipts more than ample for the narrow demand. Trading volume in all grains on the Chicago Board of Trade was down from that of a week ago. Average daily purchases of soybeans and grain futures totaled about 66,700,000 bushels, against 75,900,000 in the previous week and 62,800,000 in the same week last year.

Rice prices held firm last week. Current demand for domestic and export markets continued very active with a paucity of supplies reported in distributing channels. Although the crop will be later than usual, conditions have been excellent and a good quality yield is expected. Coffee futures showed some weakness as the result of producer selling in forward positions. Cash markets generally followed futures lower.

Trading in cocoa was active the past week. The price tone was firm, influenced by strength in the London Market and continued commission house demand, based on unfavorable crop news. Warehouse stocks of cocoa at New York were up to 328,674 bags, from 316,449 a week ago. Weakness in soybeans together with continued absence of significant export developments induced some easiness in cottonseed oil prices.

Lard prices trended lower for the week, reflecting easiness in vegetable oils. Hog values, on the other hand, continued strong and advanced for the fourth successive week, influenced mainly by continued small receipts. Butcher hogs reached a top of $22.50 per hundredweight, a further new high since June 1955. Prime steers sold steady to slightly higher with receipts about 5% less than the preceding week. Spring slaughter lambs were fully 50 cents higher for the week.

Cotton prices, which had displayed marked firmness a week earlier, turned somewhat easier in the past week. The weakness was attributed to continued favorable weather over most of the cotton belt states and indications that the prospective 1957 crop might be larger than had been expected. Domestic mill consumption of cotton for the four week period ended June 29 was 649,700 bales, bringing total consumption for the season through that date to 8,099,000 bales, as compared with 8,594,000 bales for the same period a year earlier.

Trade Volume in Latest Week Rose 4% Above Same Period in 1956

Department store sales across the country in the week ended July 27 were 4% above sales in the corresponding week of last year, the Federal Reserve Board reported.

The biggest increases were in Minneapolis, with 10% and in Chicago and New York, both 8%. Atlanta, off 3% and St. Louis, off 2% accounted for the only declines. Boston was unchanged from last year.

In the four weeks ended July 27 sales of department stores were 5% above the 1956 level. Sales this year up to July 27 were 2% higher than last year.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended July 27, 1957, increased 4% above the like period last year. In the preceding week, July 20, 1957, an increase of 5% was reported. For the four weeks ended July 27, 1957, an increase of 5% was also recorded. For the period Jan. 1, 1957 to July 27, 1957, an increase of 2% was registered above that of 1956.

Retail trade volume in New York City last week rose 8% to 10% above the comparable period of 1956, trade observers report. Favorable weather helped to stimulate buying.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 27, 1957, increased 8% above that of the like period of last year. In the preceding week, July 20, 1957 an increase of 1% (revised) was reported. For the four weeks ending July 27, 1957, an increase of 5% was registered. For the period of Jan. 1, 1957 to July 27, 1957, the index recorded a rise of 4% above that of the corresponding period of 1956.

Meaning?

"There are differences of opinions within our party and I hope there always will be. Under our two-party system, a national party must contain within it divergent points of view reflecting varying opinions on national issues from state to state, region to region.

Pres. Eisenhower

"This is a healthy condition as long as the fundamental beliefs within that party provide a common nucleus of thought, a common ground. We have that in the Republican party—a set of unalterable truths that bind us together into an inseparable whole, dedicated to conducting the government of the United States in the best interests of its people.

"As Republicans we have much upon which we can agree. As long as we adhere to the principles first laid down by our first Republican President, Abraham Lincoln, I believe we can resolve any differences among us, and move forward with programs that will prove of lasting value to all Americans today and in the future.

"This administration is committed to a program that has as its goals the establishment of a foreign policy dedicated to maintaining peace throughout the world, a strong national economy to permit vigorous expansion and growth, and higher standard of living for all Americans." — President Dwight D. Eisenhower.

All of which seems to us to say practically nothing.

Continued from page 14

Monetary and Fiscal Policies Accompanying Reduced Budget

banks bore witness to the absence of willing borrowers who met banks' minimal standards of reliability. In the favorable economic weather today we seem very far from any limits on effective monetary expansion. But in a recession the limits would seem much nearer. Our current tight money policy must be counted a valuable asset in appraising the economy's defenses against recession. When brakes are on, they can be released. If they have already been fully released in the course of the normal growth of the economy at full employment, the Federal Reserve has no way to counter a recession.

Tax Cuts to Stimulate Investments

The third policy is a method to ensure that resources released from government use are absorbed in investment rather than consumption, without entailing either additional debt retirement or relaxation of monetary restraints. I am not a close enough student of tax legislation to suggest the specific tax concessions that would do the job. Reduction in the tax rate on corporate income would no doubt improve the liquidity preconditions of corporate investment. I am not convinced that it would improve investment incentives; the Treasury would be reducing its share of the costs and possible losses of investment projects as well as its share of the returns. Perfecting of loss-offset devices, accelerated amortization or depreciation, or even the direct method of allowing tax credits for investment outlays—these may be the promising areas for tax concessions designed to stimulate investment.

Policy (3) does not allow for the monetary requirements of growth. Unless progessively greater tax concessions for investment are to be made, these monetary requirements would have to be met as soon as the initial impact of the concessions wears off. One method would be to carry the policy to the point of running a budget deficit, so that the growth in the Federal debt overtime would maintain the balance between the liquidity and capital components of private wealth. Another method would be progressive relaxation of monetary control; this has the same kind, but not the same degree, of disadvantages mentioned in the discussion of policy (2).

One important difference in impact between policies (2) and (3) should be noted. Easy money policies encourage investment by state and local governments as well as by private businesses. The tax concession method of policy (3) favors only the corporations. If policy (3) were followed, therefore, some special means of reducing the costs of public investment might be desirable. One method would be for the Federal Government to guarantee local bond issues for specified purposes such as school construction.

With Clifford J. Murphy

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me. — Charles H. Carr has become associated with Clifford J. Murphy Co., 443 Congress Street. Mr. Carr was formerly with A. C. Allyn & Co. and Walter J. Hood & Co.

Two With Richard Fay

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Kent H. Fisher and Lawrence E. Scalir have become affiliated with Richard A. Fay & Co., 9911 Santa Monica Boulevard. Mr. Scalir was previously with First California Company.

Three Join Coburn

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Herbert E. Greene, Robert F. Maloney and John F. Sayers, Jr. have become associated with Coburn & Middlebrook, Incorporated, 100 Trumbull Street. Mr. Greene who has recently been with Federated Management Corporation was formerly New York Manager for Coburn & Middlebrook.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Acme Steel Co., Riverdale, Ill.
Aug. 7 filed 200,000 shares of common stock (par $10) to be offered for sale under the company's 1957 Employees' Stock Option Plan.

Allied Paper Corp., Chicago, Ill.
July 15 filed 21,000 shares of common stock (par $8) to be offered in exchange for outstanding common stock of Allied-Albany Paper Corp. on the basis of 5/22nd of a share of Allied stock for each share of Allied-Albany stock; offer to expire on Sept. 6.

Alsco, Inc., Akron, Ohio
June 28 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion, repayment of loans and for working capital. **Underwriter**—To be named by amendment.

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. Burton H. Jackson is President. **Investment Adviser** — Securities Cycle Research Corp., New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

★ American Speedlight Corp.
July 31 (letter of notification) $250,000 of 10-year 8% subordinated debentures due July 15, 1967. **Price**—100% and accrued interest. **Proceeds**—To pay current liabilities and for research, development and working capital. **Office** — 63-01 Metropolitan Ave., Middle Village, N. Y. **Underwriter**—None.

American Trailer Co., Washington, D. C.
July 11 (letter of notification) $120,000 of 10-year 6% first mortgage bonds (in denominations of $1,000 each), 120 warrants for common stock and 1,500 shares of common stock (no par). Each $1,000 bond has detachable warrants for 10 common shares at $15 per share exercisable at any time through June 30, 1959. **Price**—Of bonds, at par. **Proceeds** — For construction and improvements, payment of debts and working capital. **Office**—5020 Wisconsin Ave., Washington, D. C. **Underwriter**—Mackall & Coe, Washington, D. C.

★ Anchorage Gas & Oil Development Co., Inc.
July 24 (letter of notification) 160,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For development of oil and gas properties. **Office** — 505 Barrow St., Anchorage, Alaska. **Underwriter**—Grace C. Tucker, 500 Wall St., Seattle, Wash.

Apache Oil Corp., Minneapolis, Minn.
July 22 filed 200 participating units in Apache Oil Program 1958. **Price**—$10,000 per unit. **Proceeds**—To acquire, develop and operate oil and gas leaseholds; and for other corporate purposes. Underwriter none; sales to be made through corporation and APA, Inc., its subsidiary.

Atlantic Refining Co. (8/20)
July 30 filed $100,000,000 of convertible subordinated debentures due Aug. 15, 1987. **Price**—To be supplied by amendment. **Proceeds** — To repay $81,000,000 of bank loans and for acquisition and development of production properties and for acquisition and improvement of refining, marketing and transportation facilities. **Underwriter**—Smith, Barney & Co., New York.

★ Big Eddy Telephone Co., Narrowsburg, N. Y.
Aug. 1 (letter of notification) 1,700 shares off 5½% cumulative preferred stock (par $50) and 6,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—To repay bank and other loans. **Underwriter**—None.

Bridgeview Towers Associates, Fort Lee, N. J.
July 25 filed $360,000 of participations in partnership interests. **Price**—$10,000 each participation (minimum). **Proceeds**—To buy an apartment building. **Underwriter**—None.

C & D Batteries, Inc.
March 28 (letter of notification) 14,000 shares of common stock (par $10) to be offered for subscription by stockholders and employees. **Price**—$12.50 per share. **Proceeds** — For machinery, equipment, inventories and working capital. **Office** — Washington and Cherry Sts., Conshohocken, Pa. **Underwriter**—None.

Calidyne Corp., Winchester, Mass.
May 1 filed $1,250,000 of Limited Partnership Interests to be offered first to present limited partners at the rate of one $1,000 unit for each $1,000 of his present investment; then to public. **Price**—$1,000 per unit. **Proceeds** — To construct plant; to purchase machinery and equipment; and to reduce outstanding demand notes. **Business**—Produces electro-dynamic shaker and other vibration test equipment. **Underwriter**—None. Robert C. Lewis, Philip C. Efromson and Thomas Gouzoula, all of Winchester, Mass., are the general partners of this Massachusetts Limited Partnership.

Cameron Industries, Inc., New York (8/9)
June 7 filed 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Underwriter**—R. G. Worth & Co., Inc., New York.

Caramba Mokafe Corp. of America
July 12 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For machinery, equipment, inventory and working capital. **Office**—701 Monroe St., Hoboken, N. J. **Underwriter**—Garden State Securities, Hoboken, N. J.

Carolina Natural Gas Corp. (8/15)
July 26 filed $1,600,000 first mortgage 6% bonds due Aug. 1, 1982, $800,000 6½ sinking fund subordinated debentures due Aug. 1, 1977, and 112,000 shares of common stock (par $1) to be offered in units of $100 of bonds, $50 of debentures and seven shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For new construction, etc. **Office**—Hickory, N. C. **Underwriters**—Crutten-den, Podesta & Co., Chicago, Ill., and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

• Celotex Corp. (8/19-20)
July 31 filed 150,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For working capital and general corporate purposes. **Underwriters** — Hornblower & Weeks and Eastman Dillon, Union Securities & Co., both of New York.

Central Telephone Co., Lincoln, Neb. (8/15)
July 15 filed $1,750,000 of convertible subordinated debentures due July 1, 1972. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to purchase properties and to make advances to and investments in stock of subsidiaries. **Underwriters**—Paine, Webber, Jackson & Curtis, New York; and Loewi & Co., Milwaukee, Wis.

• Charter Oil Co. Ltd. (Canada) (8/9)
July 11 filed $2,250,000 of 15-year subordinated convertible debentures due Aug. 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans, for exploration and development of properties and for general corporate purposes. **Underwriters** — Lehman Brothers and Bear, Stearns & Co., both of New York, to handle sales in the United States; part to be sold in Canada through Canadian underwriters.

Chess Uranium Corp. (8/20)
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share. (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

★ Cincinnati & Suburban Bell Telephone Co. (9/3)
Aug. 2 filed 124,991 shares of capital stock to be offered for subscription by stockholders of record Aug. 27, 1957 on the basis of one new share for each 10 shares held; rights to expire on Oct. 3, 1957. **Price**—At par ($50 per share.) **Proceeds**—To reduce bank loans. **Underwriter**—None. American Telephone & Telegraph Co. owns approximately 30% of the outstanding capital stock.

Coastal Chemical Corp., Yazoo City, Miss.
May 1 filed 150,000 shares of class C common stock to be offered for sale to farmers and other users of fertilizer materials. **Price**—At par ($25 per share). **Proceeds**—To construct and operate facilities for manufacture of anhydrous ammonia. **Underwriter**—Mississippi Chemical Corp., Yazoo City, Miss.

• Coastal States Gas Producing Co. (8/20)
July 30 filed 150,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — Together with other funds, to purchase 150,659 shares of common stock from an estate for an aggregate amount of $1,054,613, and for working capital and other corporate purposes. **Underwriters** — Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated, both of New York.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York.

• Comico Corp., Memphis, Tenn. (9/3-6)
May 2 filed 750,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To construct mill; for payment on mining leases and royalty agreement. **Underwriter**—Southeastern Securities Corp., New York.

Consolidated Fenimore Iron Mines, Ltd.
June 26 (letter of notification) 150,000 shares of common stock (par $7). **Price**—At market (closing price on Toronto Stock Exchange as of June 14, 1957 was $1.82 bid and $1.85 asked, per share). **Proceeds**—For mining expenses. **Office**—c/o Roy Peers, 9 De Casson Rd., Montreal, Canada. **Underwriters**—Thomason, Kernaghan & Co., Ltd., Toronto, Canada, and R. P. Mills & Co., Ltd., Montreal, Canada.

★ Consumers Credit Corp.
July 31 (letter of notification) $215,000 of 6% subordinate debentures series of 1957 to mature in 3 to 12 years, and 1,000 shares of class A common stock (par $50). **Price**—Of debentures, at par (in multiples of $100); of stock, $55 per share. **Proceeds** — For working capital. **Address**—P. O. Box 990, Bogalusa, La. **Underwriter**—None.

Conticca International Corp., Chicago, Ill.
March 13 filed 558,100 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds** — To discharge current notes payable, including bank loans, and long term debt in the total sum of approximately $1,030,000; for new equipment; and for working capital. **Underwriters** — Allen Shaw & Co., 405 Lexington Ave., New York 17, N. Y.; and Shaw & Co., San Marino, Calif.

Continental Mineral Resources, Inc.
June 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—c/o Registrar & Transfer Agent, Nevada Agency & Trust Co., Cheney Bldg., Reno, Nev. **Underwriter**—Birkenmayer & Co., Denver, Colo.

• Continental Mines & Metals Corp., Paterson, N.J.
April 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of properties. **Underwriter** — Leward M. Lister & Co., Boston, Mass. Statement effective July 31.

★ Coral Manor Corp., Fort Lauderdale, Fla.
Aug. 2 filed $3,534,000 of non-interest 40-year instalment debentures. **Price**—100% of principal amount. **Proceeds**—For construction of building and for repayment of loans. **Underwriter**—None.

Cougar Mine Development Corp.
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J. **Offering**—Expected this month (July).

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

★ Dilbert's Quality Super Markets, Inc. (9/3-6)
Aug. 1 filed 180,000 shares of 7% cumulative first preferred stock (par $10) and 180,000 shares of common stock (par 10 cents) to be offered in units of one preferred and one common share. **Price**—$10.10 per unit. **Proceeds**—To acquire Big Ben Supermarkets; for equipment and merchandise for five new supermarkets; and for working capital and other corporate purposes. **Office**—Glendale, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., New York.

★ Electronic Research Associates, Inc. (8/19)
July 31 (letter of notification) 100,000 shares of Class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds** — For acquisition or lease of plant, and for working capital, etc. **Office**—67 East Centre St., Nutley, N. J. **Underwriter**—Singer, Bean & Mackie, Inc., New York.

Federal Insurance Co.
June 7 filed 400,000 shares of capital stock (par $4) being offered in exchange for 100,000 shares of Colonial Life Insurance Co. of America capital stock (par $10) on the basis of four Federal shares for each Colonial Share. Offer has become effective upon acceptance by holders of more than 86% of Colonial stock and will continue to and including Aug. 16, unless extended. **Dealer-Managers**—The First Boston Corp. and Spencer Trask & Co., both off New York. **Exchange Agent**—Fidelity Union Trust Co., Newark, N. J.

First National Life Insurance Co., Phoenix, Ariz.
July 29 filed 106,500 shares of common stock (par $4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase options. **Price**—To public, $12 per share. **Proceeds**—For expansion and other corporate purposes. **Underwriter**—None.

★ Florida Real Estate Investors Syndicate, Inc.
July 26 (letter of notification) $290,000 of 7% debenture bonds due Feb. 1, 1968 and 5,800 shares of common stock (par $1) to be offered in units of one $100 debenture and one share of common stock. **Price**—$100 per unit. **Proceeds**—For working capital. **Office**—41 N. E. First Ave., Dania, Fla. **Underwriter**—None.

Florida Trust, Pompano Beach, Fla.
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property. **Underwriter**—None.

Fluorspar Corp. of America
May 28 (letter of notification) 30,000 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—$8.50 per share. **Proceeds**—For mining operations. **Office**—433 S. E. 74th Ave., Portland, Ore. **Underwriter**—None.

Frigikar Corp.
June 6 (letter of notification) 9,000 shares of common stock (par 50 cents). **Price** — At market (estimated $5.50 per share). **Proceeds**—To go to Daniel D. Dillingham. **Office**—1602 Cochran St., Dallas, Texas. **Underwriter**—Muir Investment Corp., San Antonio, Texas.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been

scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

★ **General Telephone Co. of California**
Aug. 7 filed 500,000 shares of cumulative preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Mitchum, Jones & Templeton, Los Angeles, Calif.

● **General Telephone Co. of the Southeast (8/12)**
July 18 filed 120,000 shares of 5.80% cumulative preferred stock (par $25) to be offered in exchange for the following outstanding securities on a share-for-share basis, plus, in each case, cash equivalent to the redemption premium for each such share offered in exchange: 5½% and 6% cumulative preferred stocks of Durham Telephone Co., the 6% cumulative preferred stock of Georgia Continental Telephone Co., and the 5½% cumulative preferred stock of South Carolina Continental Telephone Co. and of Southern Continental Telephone Co. This offer will expire on Aug. 30, 1957. **All shares not surrendered for exchange will be redeemed in September, 1957. Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

General Telephone Corp., New York
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) being offered in exchange for common and preferred stocks of Peninsular Telephone Co. on the basis of 1.3 shares of General common for each share of Peninsular common, and one-half share of General preferred share for each share of Peninsular $1 preferred, $1.30 preferred and $1.32 preferred. No exchange of preferred stock will be made unless at least 80% of the Peninsular preferred stock is exchanged. Offer will expire on Aug. 14. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Genie Craft Corp., Washington, D. C.
June 28 (letter of notification) $150,000 of 10-year 6% subordinate convertible debentures. **Price**—At par (in denominations of $100 each). **Proceeds**—To discharge short term obligations and for working capital. **Office**—1022 18th St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Genung's Inc., Mount Vernon, N. Y. (8/19)
July 26 filed $500,000 of 6½% convertible debentures due 1977 and 20,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for increased inventories and other corporate purposes. **Underwriter**—P. W. Brooks & Co. Inc., New York.

★ **Giant Petroleum Corp.**
July 22 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To pay outstanding debt and for working capital. **Office**—225 East 46th St., New York, N. Y. **Underwriter**—A. G. Bellin Securities Corp., 52 Broadway, New York, N. Y.

Gibbs Automatic Moulding Corp.
May 22 filed $1,000,000 of 6% convertible debentures due March 31, 1967. **Price**—At par. **Proceeds**—To increase company's activities and for working capital. **Office**—Henderson, Ky. **Underwriter**—Cook Enterprise, Inc., 111 S. 7th St., Terre Haute, Ind.

Great Lakes Natural Gas Corp.
July 15 filed 779,393 shares of common stock (par 50 cents) to be offered for subscription by common stockholders of Great Lakes Oil & Chemical Co. on basis of one-fourth share of Natural Gas stock for each share of Oil & Chemical stock. **Price**—$1.25 per share. **Proceeds**—For exploration costs, improvements, expansion, etc. **Office**—Los Angeles, Calif. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

★ **Hardware Wholesalers, Inc.**
July 23 (letter of notification) 2,500 shares of common stock (par $50) to be offered in units of 20 shares at $1,000 per unit and 400 shares of non-voting common stock (par $50) to be offered in units of 10 shares at $500 per unit. **Proceeds** — To purchase and carry increased inventories. **Office** — Nelson Road, Fort Wayne, Ind. **Underwriter**—None.

Holiday Inns of America, Inc. (8/22)
July 26 filed 120,000 shares of common stock (par $1.50). **Price** — To be supplied by amendment. **Proceeds** — For working capital and for construction program. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Holy Land Import Corp., Houston, Texas
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—For inventory, working capital, etc. **Underwriter**—Benjamin & Co., Houston, Tex.

Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. **Office**—216 E. Monroe St., Springfield, Ill.

★ **Hycalog, Inc.**
July 24 (letter of notification) $300,000 of 6¾% convertible debentures due Sept. 1, 1967. **Price**—99% of principal amount. **Proceeds**—To retire bank notes and to purchase equipment. **Office**—505 Aero Drive, Shreveport, La. **Underwriters**—Keith, Reed & Co., Inc., Dallas, Tex.; Aetna Securities Corp., New York, N. Y.; and Roman & Johnson, Fort Lauderdale, Fla.

International Duplex Corp., San Francisco, Calif.
Dec. 21, 1956 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

International Insurance Investments, Inc.
June 10 filed 118,140 shares of common stock (par $1) and warrants to purchase 354,420 additional shares of common stock to be offered in units of one common share and three warrants to buy three common shares. **Price**—$3.75 per unit. Each warrant entitles holder to purchase one common share at $2.75 per share. **Proceeds**—To acquire stock of fire insurance unit and for general corporate purposes. **Office** — Englewood, Colo. **Underwriter**—American Underwriters, Inc., also of Englewood, Colo.

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NEW ISSUE CALENDAR

August 8 (Thursday)
Missouri Pacific RR. ---- **Equip. Trust Ctfs.**
(Bids noon CDT) $3,525,000

August 9 (Friday)
Cameron Industries, Inc. ---- **Common**
(R. G. Worth & Co., Inc.) $300,000
Charter Oil Co., Inc. ---- **Debentures**
(Lehman Brothers and Bear, Stearns & Co.) $2,250,000
Seminole Oil & Gas Corp. ---- **Common**
(Albert & Co., Inc.) $206,250

August 12 (Monday)
General Telephone Co. of the Southwest ---- **Pfd.**
(To be issued under exchange offer—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. are to act as dealer-managers) $3,000,000
Walter (Jim) Corp. ---- **Bonds & Common**
(Carl M. Loeb, Rhoades & Co. and Prescott, Shepard & Co., Inc.) $2,425,000

August 13 (Tuesday)
Northern States Power Co. (Minn.) ---- **Bonds**
(Bids 10 a.m. CDT) $18,000,000
Thompson Products, Inc. ---- **Debentures**
(Offering to common stockholders—underwritten by Smith, Barney & Co. and McDonald & Co.) $19,729,500

August 15 (Thursday)
Carolina Natural Gas Corp. ---- **Bonds, Debs. & Com.**
(Cruttenden, Podesta & Co. and Odess, Martin & Herzberg, Inc.) $1,600,000 bonds, $800,000 debentures and 112,000 shares of stock
Central Telephone Co. ---- **Debentures**
(Paine, Webber, Jackson & Curtis and Loewi & Co.) $1,750,000

August 19 (Monday)
Celotex Corp. ---- **Common**
(Hornblower & Weeks and Eastman Dillon, Union Securities & Co.) 150,000 shares
Electronic Research Associates, Inc. ---- **Class A Com.**
(Singer, Bean & Mackie, Inc.) $300,000
Genung's Inc. ---- **Debentures**
(P. W. Brooks & Co. Inc.) $500,000
Narda Microwave Corp. ---- **Common**
(Milton D. Blauner & Co., Inc. and Michael G. Kletz & Co., Inc.) $270,000
Two Guys From Harrison, Inc. ---- **Class A Common**
(Bache & Co.) 200,000 shares

August 20 (Tuesday)
Atlantic Refining Co. ---- **Debentures**
(Smith, Barney & Co.) $100,000,000
Chess Uranium Corp. ---- **Common**
(Jean R. Veditz Co., Inc.) $300,000
Coastal States Gas Producing Co. ---- **Common**
(Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated) 150,000 shares
Iowa Southern Utilities Co. ---- **Bonds**
(Bids noon CDT) $5,000,000
Pacific Telephone & Telegraph Co. ---- **Debentures**
(Bids to be invited) $90,000,000

August 22 (Thursday)
Holiday Inns of America, Inc. ---- **Common**
(Equitable Securities Corp.) 120,000 shares

August 27 (Tuesday)
El Paso Natural Gas Co. ---- **Debentures & Preferred**
(White, Weld & Co.) $70,000,000
Southern California Edison Co. ---- **Bonds**
(Bids to be invited) $40,000,000

August 28 (Wednesday)
Public Service Electric & Gas Co. ---- **Bonds**
(Bids 11 a.m. EDT) $60,000,000
Walt Disney Productions ---- **Common**
(Goldman, Sachs & Co., Lehman Brothers and Kidder, Peabody & Co.) 400,000 shares

August 31 (Saturday)
Pacific Telephone & Telegraph Co. ---- **Common**
(Offering to stockholders—no underwriting) 1,822,523 shares

September 3 (Tuesday)
Cincinnati & Suburban Telephone Co. ---- **Common**
(Offering to stockholders—no underwriting) 124,991 shares
Comico Corp. ---- **Common**
(Southeastern Securities Corp.) $1,500,000
Dilbert's Quality Super Markets, Inc. ---- Preferred & Common
(S. D. Fuller & Co.) $1,818,000
Northwestern Public Service Co. ---- **Bonds**
(Bids to be invited) $1,500,000
Stratford (John G.) Film Corp. ---- **Common**
(Joseph Mandell Co.) $299,999

September 4 (Wednesday)
Louisville Gas & Electric Co. ---- **Bonds**
(Bids to be invited) $12,000,000

September 5 (Thursday)
Tampa Electric Co. ---- **Bonds**
(Bids 11 a.m. EDT) $18,000,000
Tampa Electric Co. ---- **Common**
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 217,286 shares

September 10 (Tuesday)
Duke Power Co. ---- **Bonds**
(Bids to be invited) $50,000,000

September 11 (Wednesday)
New Jersey Bell Telephone Co. ---- **Debentures**
(Bids to be invited) $30,000,000

September 12 (Thursday)
Philadelphia Electric Co. ---- **Bonds**
(Bids to be invited) $40,000,000

September 17 (Tuesday)
Consolidated Natural Gas Co. ---- **Debentures**
(Bids 11:30 a.m. EDT) $30,000,000

September 18 (Wednesday)
Norfolk & Western Ry. ---- **Equipment Trust Ctfs.**
(Bids noon EDT) $4,260,000
Pacific Power & Light Co. ---- **Bonds**
(Bids to be invited) $20,000,000

September 23 (Monday)
Consumers Power Co. ---- **Bonds**
(Bids 11:30 a.m. EDT) $35,000,000

September 24 (Tuesday)
Niagara Mohawk Power Corp. ---- **Bonds**
(Bids to be invited) $40,000,000
Utah Power & Light Co. ---- **Bonds**
(Bids to be invited) $15,000,000
Utah Power & Light Co. ---- **Common**
(Bids to be invited) 400,000 shares

September 25 (Wednesday)
Northern Illinois Gas Co. ---- **Bonds or Preferred**
(Bids to be invited) $8,000,000 to $10,000,000

September 30 (Monday)
Gulf States Utilities Co. ---- **Bonds**
(Bids to be invited) $17,000,000

October 1 (Tuesday)
Southwestern Bell Telephone Co. ---- **Debentures**
(Bids to be invited) $100,000,000

October 3 (Thursday)
Columbia Gas System, Inc. ---- **Debentures**
(Bids to be invited) $25,000,000

October 8 (Tuesday)
Commonwealth Edison Co. ---- **Bonds or Preferred**
(Bids to be invited) $25,000,000 to $50,000,000

October 9 (Wednesday)
Public Service Co. of Indiana, Inc. ---- **Bonds**
(Bids to be invited) $30,000,000

October 16 (Wednesday)
Consumers Power Co. ---- **Debentures**
(Offering to common stockholders—bids noon EDT) $35,156,760

October 22 (Tuesday)
Consolidated Edison Co. of New York, Inc. ---- **Bonds**
(Bids 11 a.m. EDT) $50,000,000

October 29 (Tuesday)
American Telephone & Telegraph Co. ---- **Debentures**
(Bids to be invited) $250,000,000

November 19 (Tuesday)
Ohio Power Co. ---- **Bonds**
(Bids 11 a.m. EST) $28,000,000
Ohio Power Co. ---- **Preferred**
(Bids 11 a.m. EST) $7,000,000

December 3 (Tuesday)
Virginia Electric & Power Co. ---- **Bonds**
(Bids to be invited) $20,000,000

December 10 (Tuesday)
Indiana & Michigan Electric Co. ---- **Bonds**
(Bids 11 a.m. EST) $20,000,000

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Iowa Southern Utilities Co. (8/20)
July 26 filed $5,000,000 of first mortgage bonds due Aug. 1, 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; White, Weld & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly); Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Dean Witter & Co. **Bids**—Expected to be received up to noon (CDT) on Aug. 20, at Northern Trust Co., 50 So. La Salle St., Chicago 90, Ill.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

● Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of $5\frac{1}{2}$-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

★ Leitzsey Distributors, Inc.
July 26 (letter of notification) 40,000 shares of common stock (par $5). **Price**—$5.50 per share. **Proceeds**—For working capital. **Office**—1319 Rosewood Drive, Columbia, S. C. **Underwriter**—None.

★ Linger Longer Lodge, Inc.
July 25 (letter of notification) 1,650 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For construction of a 20-unit motel and lobby adjacent to the present lodge and for working capital. **Address**—Route No. 5, Priest River, Idaho. **Underwriter**—None.

Madison Improvement Corp., Madison, Wis.
July 29 filed 50,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital, etc. **Underwriter**—None. Henry Behnke is President.

● Mankato Citizens Telephone Co.
July 15 (letter of notification) 6,000 shares of common stock (no par) being offered to stockholders of record July 29 on the basis of one new share for each five shares held; rights to expire on Aug. 15, 1967. **Price**—$50 per share. **Proceeds**—To retire bank loans. **Office**—315 S. Second St., Mankato, Minn. **Underwriter**—None.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par ($17\frac{1}{2}$ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho, Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

● McDermott (J. Ray) & Co., Inc.
July 18 filed $20,292,000 of 5% convertible subordinated debentures due Aug. 1, 1972, being offered for subscription by common stockholders of record Aug. 6, 1957 on the basis of $100 of debentures for each 10 common shares held; rights to expire on Aug. 20, 1957. **Price**—At 100% of principal amount. **Proceeds**—For expansion of operations. **Underwriters**—Dominick & Dominick and Kidder, Peabody & Co., both of New York.

Mississippi Valley Portland Cement Co.
Dec. 26, 1956 filed 1,600,000 shares of capital stock (no par) of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

Mon-O-Co Oil Corp., Billings, Mont.
July 11 filed 22,474 shares of class A common stock and 539,376 shares of class B common stock to be offered in units of one class A share and 24 class B shares, which shall not be separately transferable until May 1, 1960. Of the units, 14,474 are to be issued in exchange for or conversion of working interests in joint lease acreage operations, etc., and 8,000 are to be offered for subscription by existing stockholders, on a pro rata basis. **Price**—$75 per unit. **Proceeds**—For development and exploration costs, etc. **Underwriter**—None.

Montek Associates, Inc.
July 16 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To purchase additional electronic test equipment, shop machinery, and to increase working capital. **Office**—2604 South State St., Salt Lake City, Utah. **Underwriter**—D. Richard Moench & Co., Salt Lake City, Utah.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Mount Wilson Mines, Inc., Telluride, Colo.
June 24 filed 400,000 shares of class A common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For exploration and related purposes, including construction of a mill. **Underwriter** — Investment Service Co., Denver, Colo.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

Mutual Investment Trust for Profit Sharing-Retirement Plans, Inc., Richmond, Va.
March 19 filed 50,000 shares of capital stock (par $1), to be offered trustees of profit sharing retirement plans. **Price**—At market. **Proceeds**—For investment. **President**—T. Coleman Andrews. **Office** — 5001 West Broad St., Richmond, Va.

Mutual Investors Corp. of New York
May 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire real estate properties and mortgages. **Office**—550 Fifth Ave., New York 36, N. Y. **Underwriter** — Stuart Securities Corp., New York.

★ Narda Microwave Corp. (8/19-22)
July 30 (letter of notification) 90,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To retire bank loan and for equipment and working capital. **Underwriters** — Milton D. Blauner & Co., Inc., and Michael G. Kletz & Co., Inc., both of New York.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

New Brunswick (Province of)
Dec. 14, 1956, filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Indefinitely postponed.

Northern States Power Co. (Minn.) (8/13)
July 3 filed $18,000,000 of first mortgage bonds due Aug. 1, 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 10 a.m. (CDT) on Aug. 13.

★ Northwestern Public Service Co. (9/3-4)
Aug. 2 filed $1,500,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; A. C. Allyn & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received on Sept. 3 or Sept. 4.

Oil Ventures, Inc.
May 13 (letter of notification) 2,500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—725 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc. of Utah, Salt Lake City, Utah.

Old American Life Co., Seattle, Wash.
July 22 filed 15,825 shares of class A stock (par $10) and 3,165 shares of common stock (par $10) to be offered in units of one common share and three class A shares. **Price**—$260 per unit. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—None.

Pacific Telephone & Telegraph Co. (8/20)
July 26 filed $90,000,000 of 23-year debentures due Aug. 1, 1980. **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—To be received at Room 2315, 195 Broadway, New York, N. Y., up to 11:30 a.m. (EDT) on Aug. 20.

Pacific Telephone & Telegraph Co. (8/31)
July 26 filed 1,822,523 shares of common stock to be offered for subscription by stockholders of record Aug. 28, 1957 on the basis of one new share for each six shares of common stock and/or preferred stock held; rights to expire Sept. 30. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None. American Telephone & Telegraph Co. owns 90.54% of the voting stock of Pacific T. & T. Co.

★ Pan American Films, Inc., Dallas, Texas
July 26 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For land and equipment and for working capital. **Underwriter**—None.

Plymouth Fund, Inc., Miami, Fla.
Feb. 5 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla. Joseph A. Rayvis, also of Miami, is President.

Precision Transformer Corp.
June 12 (letter of notification) $294,000 of 6% 10-year convertible debentures due June 1, 1967 and 29,400 shares of common stock (par 20 cents) to be offered in units of $500 of debentures and 50 shares of stock at $510 per unit, or $100 of debentures and 10 shares of stock at $102 per unit. **Proceeds** — To repay outstanding indebtedness and for general corporate purposes. **Office**—2218 W. Lake St., Chicago, Ill. **Underwriter**—John R. Boland & Co., Inc., New York.

★ Prudential Investment Corp. of South Carolina
Aug. 6 filed 750,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For investment and general corporate purposes. **Office** — Columbia, S. C. **Underwriter**—None.

★ Public Service Electric & Gas Co. (8/28)
Aug. 1 filed $60,000,000 of first and refunding mortgage bonds due Sept. 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 28.

Pyramid Productions, Inc., New York
Sept. 27, 1956, filed 220,000 shares of com. stock (par $1) of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York. **Offering**—Date indefinite.

★ Quaker State Foods Corp.
July 29 (letter of notification) 9,154 shares of 7% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds** — To purchase machinery and equipment and for working capital. **Office**—131 Dahlem St., Pittsburgh, Pa. **Underwriter** — Childs, Jeffries & Thorndike, Inc., New York, N. Y.

★ Queens Lane Homes, Unit No. 3, Inc.
July 24 (letter of notification) eight shares of common stock (no par). **Price**—$300 per share. **Proceeds**—To purchase property and for working capital. **Office**—2220 Louisville Ave., Monroe, La. **Underwriter**—None.

Resource Fund, Inc., New York
March 29 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. D. John Heyman of New York is President. **Investment Advisor**—Resource Fund Management Co., Inc., 60 Broadway, New York, N. Y.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo.

● St. Paul Fire & Marine Insurance Co.
June 25 filed 417,000 shares of capital stock (par $6.25) being offered in exchange for the outstanding capital stock of Western Life Insurance Co., Helena, Mont., at rate of 1.39 shares of St. Paul stock for each share of Western stock. The offer is conditioned upon acceptance by holders of not less than 240,000 shares (80%) of the outstanding Western stock. This offer will expire on Sept. 26, unless extended. **Exchange Agent**—First National Bank & Trust Co., Helena, Mont.

● Seminole Oil & Gas Corp., Tulsa, Okla. (8/9)
June 24 (letter of notification) 275,000 shares of common stock (par five cents). **Price**—75 cents per share. **Proceeds** — For development of oil and gas properties. **Underwriter**—Albert & Co., Inc., New York, N. Y.

Sire Plan, Inc., New York
July 18 filed $4,000,000 of nine-month 8% funding notes. **Price**—At par (in denominations of $100 each). **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

★ Southern California Edison Co. (8/27)
Aug. 5 filed $40,000,000 of first and refunding mortgage bonds, series J, due 1982. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—Expected to be received up to 8:30 a.m. (PDT) on Aug. 27.

Southern Industrial Corp., Jacksonville, Fla.
June 25 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To be added to the general funds of the company. **Underwriter** — Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

● Steadman Investment Fund, Inc.
May 10 filed 100,000 shares of common stock (par $1) to be offered in connection with merger into this Fund of Fund of Fortune, Inc., Fortune II, Inc., Fortune III, Inc. and Fortune IV, Inc. **Underwriter** — William Allen Steadman & Co., East Orange, N. J. Statement effective July 24.

★ Steel Improvement & Forge Co., Cleveland, O.
Aug. 6 filed 86,709 shares of common stock (par $1), of which 60,000 shares are to be sold for account of company and 26,709 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures, payment of debt of subsidiary and for working capital. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

● Stratford (John G.) Film Corp. (9/3-6)
June 27 (letter of notification) 199,999 shares of common stock (par 25 cents). **Price**—$1.50 per share. **Proceeds**—For production of films, working capital, etc. **Office**—113 West 57th St., New York. **Underwriter** — Joseph Mandell Co., New York.

Strato-Missiles, Inc.
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop Hatfield propulsion system, and other projects; for purchase of additional facilities and for working

capital. **Business**—To produce machinery and equipment. **Office**—70 East 45th St., New York, N. Y. **Underwriter**—Kesselman & Co., Inc., New York.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

★ Tampa Electric Co. (9/5)
Aug. 2 filed $18,000,000 of first mortgage bonds due July 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Goldman Sachs & Co.; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co. **Bids**—To be received at 90 Broad St., New York, N. Y., up to 11 a.m. (EDT) on Sept. 5.

★ Tampa Electric Co. (9/5)
Aug. 2 filed 217,286 shares of common stock (par $7) to be offered for subscription by common stockholders of record Sept. 4, 1957 at the rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Sept. 23, 1957. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Stone & Webster Securities Corp., New York.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Texas Eastern Transmission Corp.
July 22 filed 1,000,000 shares of common stock (par $7) to be offered in exchange, on a share-for-share basis, for capital stock of La Gloria Oil & Gas Co. of Corpus Christi, Tex. The offer is conditioned upon deposit of at least 81% (810,000 shares) of outstanding La Gloria stock prior to Sept. 6, 1957. Offer may be extended from time to time but not beyond Dec. 5, 1957. **Underwriter**—None.

Texas Glass Manufacturing Corp., Houston, Tex.
May 28 filed 2,116,292 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For expansion and working capital. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Texas.

Thompson Products, Inc. (8/13)
July 24 filed $19,729,500 subordinated debentures due Aug. 1, 1982 (convertible into common stock until Aug. 1, 1967) to be offered for subscription by common stockholders in the ratio of $100 of debentures for each 14 shares of stock held of record on Aug. 12, 1957; rights to expire on Aug. 27, 1957. **Price** — To be supplied by amendment. **Proceeds**—For working capital and other general corporate purposes. **Underwriters**—Smith, Barney & Co., New York; and McDonald & Co., Cleveland, Ohio.

Titanic Oil Co.
May 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration of oil properties. **Office** — 704 First National Bank Bldg., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

Tripac Engineering Corp.
Feb. 27 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital; machine tools; equipment and proprietary development. **Office** — 4932 St. Elmo Ave., Bethesda 14, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Truly Nolen Products, Inc.
July 19 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For plant and laboratory expansion, advertising and working capital. **Office**—6721 N. E. 4th Ave., Miami, Fla. **Underwriter**—Alfred D. Laurence & Co., Miami, Fla.

★ Twentieth Century Oil Co.
July 26 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development of oil and gas properties. **Office**—Suite 4-5-6-7, United Mortgage Bldg., 212 S. 5th St., Las Vegas, Nev. **Underwriter**—None.

Two Guys From Harrison, Inc. (8/19)
July 25 filed 200,000 shares of class A common stock (par 10 cents). **Price**—$9 per share. **Proceeds**—For expansion and working capital. **Office**—Newark, N. J. **Underwriter**—Bache & Co., New York.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

★ Walt Disney Productions (8/28)
Aug. 6 filed 400,000 shares of common stock (par $2.50). **Price** — To be supplied by amendment. **Proceeds** — To Atlas Corp., the selling stockholder. **Underwriters**—Goldman, Sachs & Co., Lehman Brothers and Kidder, Peabody & Co., all of New York.

● Walter (Jim) Corp., Tampa, Fla. (8/12-14)
July 22 filed $1,250,000 of 9% subordinated bonds due Dec. 31, 2000, and 50,000 shares of common stock (par 50 cents) to be offered in units of $25 principal amount of bonds and one share of stock. **Price**—$48.50 per unit. **Proceeds**—For working capital. **Business**—Construction of "shell" homes. **Underwriters**—Carl M. Loeb, Rhoades & Co., New York; and Prescott, Shepard & Co., Inc., Cleveland, Ohio.

★ Western National School of Heavy Equipment Operation, Inc.
July 25 (letter of notification) 250 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For equipment and working capital. **Address** — Box 527, Weiser, Idaho. **Underwriter**—None.

● Wycotah Oil & Uranium, Inc., Denver, Colo.
July 29 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For acquisition of property and for other corporate purposes. **Underwriter** — Teden & Co., Inc., New York. **Offering** — Expected shortly after Labor Day.

Prospective Offerings

Airborne Instruments Laboratory, Inc.
May 16 it was announced company plans to issue and sell $2,000,000 of 15-year 5¼% unsecured subordinated convertible debentures. American Research & Development Corp., owner of 31,500 shares or 15.8% of Airborne's stock, propose to purchase $320,000 of the new debentures. **Proceeds**—Together with $4,000,000 to be borrowed from institutional investors, for a building and expansion program.

Aircraft, Inc.
July 9 it was reported company plans to issue and sell up to $12,500,000 common stock, following spin-off by California Eastern Aviation, Inc. of its subsidiaries, Land-Air, Inc. and Air Carrier Service Corp. into Aircraft, Inc., a new company. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

All States Freight, Incorporated, Akron, O.
June 21 it was announced company plans to offer publicly $2,250,000 of 15-year 6% debentures (with common stock warrants). **Proceeds**—Together with funds from private sale of 425,000 shares of common stock at $4 per share to pay part of cost of purchase of an operating carrier truck line. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

Aluminum Specialty Co.
March 18 it was announced company plans to issue and sell 15,000 shares of $1.20 cumulative convertible preferred stock series A (par $20). **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

American Telephone & Telegraph Co. (10/29)
July 17 it was announced that company plans to issue and sell $250,000,000 of debentures to be dated Nov. 1, 1957 and to mature on Nov. 1, 1983. **Proceeds**—For improvement and expansion of system. **Underwriter**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly). **Bids**—Expected to be opened on Oct. 29.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

Byers (A. M.) Co.
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter**—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

Central Hudson Gas & Electric Corp.
April 22 it was announced company plans to issue and sell this year, probably in the fall, approximately $7,500,000 of sinking fund debentures. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.
April 8 it was announced company plans to issue and sell late this year $6,000,000 of first mortgage bonds. **Proceeds** — Together with $4,500,000 of 4⅜% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

Chesapeake Industries, Inc.
June 3 it was reported company plans early registration of $3,500,000 of 5½% collateral trust sinking fund bonds due 1972 and 350,000 shares of common stock. Each $10 of bonds will carry a warrant to purchase one share of common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

● Chesapeake & Potomac Telephone Co. of Md.
July 30 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

Coastal Transmission Corp.
July 1 it was reported the company plans to offer publicly about 191,000 units of securities for about $20,000,000 (each unit expected to consist of a $25 debenture or $35 interim note and five shares of $1 par common stock). **Proceeds**—Together with other funds, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Columbia Gas System, Inc. (10/3)
June 6, company announced that it plans the issuance and sale of $25,000,000 debentures later in 1957. **Proceeds**—To help finance 1957 construction program, which is expected to cost approximately $84,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Expected to be received on Oct. 3.

Columbus & Southern Ohio Electric Co.
July 22 company announced it is planning to sell publicly in October an issue of $8,000,000 par amount of cumulative preferred stock. **Price**—To be determined later. **Proceeds**—To reduce short term bank loans. **Underwriter**—Dillon, Read & Co. Inc., New York.

Commerce Oil Refining Co.
June 10 it was reported this company plans to raise about $64,000,000 to finance construction on a proposed refinery and for other corporate purposes. The major portion will consist of first mortgage bonds which would be placed privately, and the remainder will include debentures and common stock (attached or in units). **Underwriter**—Lehman Brothers, New York.

Commonwealth Edison Co. (10/8)
June 25 company stated that it plans to offer $25,000,000 to $50,000,000 of new securities (kind not yet determined); no common stock financing is contemplated. **Proceeds** — For construction program. **Underwriter** — (1) For any preferred stock, may be The First Boston Corp. and Glore, Forgan & Co. (jointly). (2) For any bonds, to be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids** — Expected to be received on Oct. 8.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

Consolidated Edison Co. of New York, Inc. (10/22)
Charles B. Delafield, Financial Vice-President, on July 8 announced that the company has tentatively decided to issue and sell $50,000,000 of first and refunding mortgage bonds (probably with a 30-year maturity). This may be increased to $60,000,000, depending upon market conditions. **Proceeds**—From this issue and bank loans, to pay part of the cost of the company's 1957 construction program which is expected to total about $146,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on Oct. 22.

Consolidated Natural Gas Co. (9/17)
July 22 it was announced company plans to issue and sell $30,000,000 debentures due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson and Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 17.

Consumer Power Co. (9/23)
July 9 it was announced company plans to issue and sell $35,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 23.

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Consumers Power Co. (10/16)
July 9 it was announced that the company plans, in addition to the bond financing, to offer to its common stockholders the right to subscribe for $35,156,760 convertible debentures maturing not earlier than Sept. 1, 1972, on the basis of $100 of debentures for each 25 shares of stock held. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Ladenburg, Thalman & Co. **Bids**—Expected to be received up to noon (EDT) on Oct. 16.

Cook Electric Co.
July 15 it was reported that company is planning some equity financing. **Underwriter**—Probably Blunt Ellis & Simmons, Chicago, Ill.

Detroit Edison Co.
June 27 company announced Michigan P. U. Commission has authorized issue and sale of $70,000,000 general and refunding mortgage bonds, series P, due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Coffin & Burr, Inc., and Spencer Trask & Co. (jointly). **Offering**—Expected in August.

Duke Power Co. (9/10)
April 22 it was reported company plans to issue and sell $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively scheduled to be received on Sept. 10.

Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds. **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

El Paso Natural Gas Co. (8/27)
July 17 directors authorized filing early in August of a registration statement with the SEC covering the proposed issue and sale of $60,000,000 convertible debentures and $10,000,000 first preferred stock. It is planned to offer the debentures for subscription by common and common B stockholders of record Aug. 26, 1957. **Price**—To be determined later. **Proceeds**—Together with funds from private sale of $60,000,000 first mortgage pipe line bonds, for current expansion program. **Underwriter**—White, Weld & Co., New York.

Employers Group Associates
July 1 it was announced company plans to file a registration statement with the SEC covering the proposed issuance and sale of up to 88,761 additional shares of capital stock to be offered for subscription by stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Expected in late August or early September.

General Tire & Rubber Co.
May 10 it was announced that this company is considering an issue of $15,000,000 to $20,000,000 convertible subordinated debentures (with stock purchase warrants attached) which may first be offered for subscription by common stockholders. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Expected in the next few months.

Goodman Manufacturing Co., Chicago, Ill.
June 21 it was announced company plans to issue and sell 150,000 shares of capital stock (par $16.66⅔), following approval on Aug. 5 of 3-for-1 split up of present $50 par stock. **Proceeds**—For general corporate purposes.

Gulf Interstate Gas Co.
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Beane.

• **Gulf States Utilities Co. (9/30)**
Aug. 5 it was announced company plans to issue and sell $17,000,000 first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Lee Higginson Corp. **Bids**—Expected to be received on Sept. 30.

Gulf States Utilities Co.
April 8 it was reported company tentatively plans to issue and sell some preferred stock this year. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Lee Higginson Corp. and Carl M Loeb, Rhoades & Co. (jointly), Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Hathaway (C. F.) Co., Waterville, Me.
June 24 it was announced company plans soon to offer to its common stockholders some additional common stock. **Underwriter**—Probably H. M. Payson & Co., Portland, Me.

Houston Lighting & Power Co.
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

Idaho Power Co.
May 16 it was reported company plans to issue and sell around 200,000 to 225,000 shares of common stock in the Fall in addition to between $10,000,000 to $15,000,000 first mortgage bonds after Nov. 1. **Underwriter**—To be determined by competitive bidding. probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. (2) For stock—Kidder, Peabody & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly).

• **Indiana & Michigan Electric Co. (12/10)**
May 20 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds**—For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Dec. 10.

Jefferson Lake Sulphur Co.
Dec. 27, 1956, Eugene H. Walte, Jr., announced company plans in the near future to sell an issue of convertible debentures. **Proceeds**—For expansion program.

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of first mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

• **Louisville Gas & Electric Co. (9/4)**
July 26 it was reported company plans to issue and sell $12,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Kidder, Peabody & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers and Blyth & Co., Inc (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received on Sept. 4.

Louisville & Nashville RR.
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Mangel Stores Corp.
June 19 it was reported early registration statement is expected of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

Middle South Utilities, Inc.
May 8 it was announced company may consider an offering of new common stock within the next year or so. **Proceeds**—About $19,000,000, for investment in common stocks of the System operating companies during the three-year period 1957, 1958 and 1959. **Underwriter**—Previous stock offering was to stockholders, without underwriting, with oversubscription privileges.

★ **Missouri Pacific RR. (8/8)**
Bids are expected to be received by the company in St. Louis, Mo., up to noon (CDT) on Aug. 8 for the purchase from it of $3,525,000 equipment trust certificates, series I, due annually from Sept. 1, 1958 to and including Sept. 1, 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Molybdenum Corp. of America
July 16 it was announced company plans to offer its common stockholders the right to subscribe for about 196,851 additional shares of common stock (par $1), plus warrants to purchase an additional 196,581 shares, on the basis of one new common share and one warrant for each seven shares presently held. The holders of record date will be the fifth day following the effective date of registration with the SEC. **Proceeds**—For expansion program. **Office**—Grant Bldg., Pittsburgh, Pa. **Underwriter**—None.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

New England Electric System
May 23 it was announced SEC has approved the merger of the five following subsidiaries: Essex County Electric Co.; Lowell Electric Light Corp.; Lawrence Electric Co.; Haverhill Electric Co. and Amesbury Electric Light Co., into one company. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New Jersey Bell Telephone Co. (9/11)
May 1 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—Together with proceeds from sale of 900,000 shares of common stock (par $100) to parent, American Telephone & Telegraph Co., will be used to pay for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Sept. 11.

New Jersey Power & Light Co.
Sept. 12, 1956, it was announced company plans to issue, and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

• **Niagara Mohawk Power Corp. (9/24-27)**
April 22 it was reported company tentatively plans to issue and sell $40,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected week of Sept. 24.

Norfolk & Western Ry. (9/18)
Bids are expected to be received by the company up to noon (EDT) on Sept. 18 for the purchase from it of $4,260,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co. (9/25)
July 1 this company announced that it is planning to raise between $8,000,000 and $10,000,000 early this fall. No decision has been made as to the form of the proposed financing, but no consideration is being given to sale of common stock or securities convertible into common stock. **Proceeds**—For construction program. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc. **Bids**—Expected to be received on Sept. 25.

Ohio Power Co. (11/19)
May 15 it was reported that this company now plans to issue and sell $28,000,000 of first mortgage bonds and 70,000 shares of $100 par value preferred stock. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). (2) For preferred stock—Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

Pacific Power & Light Co. (9/18)
July 19 it was reported that company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on Sept. 18.

Pennsylvania Electric Co.
Sept. 12, 1956 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

Permian Basin Pipe Line Co.
May 20 it was announced company, a subsidiary of Northern Natural Gas Co., may issue about $25,300,000 of new securities, in the following form: $15,000,000 of mortgage bonds, $3,700,000 of preferred stock and $6,600,000 of common stock. **Proceeds**—To repay advances of $9,300,000 from parent, and the remaining $16,000,000 for new construction. **Underwriter** — Glore, Forgan & Co., New York.

Philadelphia Electric Co. (9/12)
July 22 it was announced company plans sale of $40,000,000 additional bonds to mature in 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received on Sept. 12.

Public Service Co. of Indiana, Inc. (10/9)
July 29 it was announced that it is expected that a new series of $30,000,000 first mortgage bonds will be issued and sold by the company. **Proceeds**—To repay bank loans (amounting to $25,000,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Oct. 9.

★ **Public Service Electric & Gas Co.**
Aug. 1 it was announced company anticipates it will sell in the Fall of 1957 or in 1958 $25,000,000 of preferred stock (in addition to $60,000,000 of bond now registered with the SEC). **Proceeds**—For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

San Diego Gas & Electric Co.
April 23, E. D. Sherwin, President, announced that company will probably raise about $7,500,000 late this fall through the sale of preferred stock. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Siegler Corp.
June 25 it was announced company plans to issue and sell in September or October of this year a maximum of 200,000 additional shares of common stock. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

★ **Smith-Corona, Inc.**
Aug. 1 it was announced stockholders on Sept. 30 will vote on approving an offering to stockholders of approximately $5,000,000 convertible debentures. **Proceeds**—For expansion and to reduce bank loans. **Underwriter**—Lehman Brothers, New York.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern Union Gas Co.
May 16 it was reported company plans to issue and sell about $10,000,000 of debentures this summer. **Proceeds**—For construction program. **Underwriter**—May be Blair & Co. Incorporated, New York.

Southwestern Bell Telephone Co. (10/1)
May 24 directors approved the issuance of $100,000,000 new debentures. **Proceeds** — For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids** — Tentatively expected to be received on Oct. 1.

Superior Tool & Die Co.
July 26 it was announced company plans to issue and sell 150,000 shares of 70-cent cumulative convertible preferred stock (par $10). **Price**—Expected to be between $11.12½ and $11.50 per share, depending upon market conditions. **Proceeds**—To discharge a note of $1,160,500 held by City Industrial Co. in connection with acquisition of Bethlehem Foundry & Machine Co. common stock and for working capital and general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

★ **Union National Bank of Lowell**
Aug. 6 the Bank offered to its stockholders of record July 31, 1957 the right to subscribe on or before Aug. 26, 1957 for 17,600 shares of capital stock (par $12.50) on the basis of one share for each five shares held. **Price**—$31 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Kidder, Peabody & Co., New York.

Utah Power & Light Co. (9/24)
March 12 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received on Sept. 24.

Utah Power & Light Co. (9/24)
March 12 it was also announced company plans to offer to the public 400,000 shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch Pierce, Fenner & Beane (jointly); Eastman Dillon Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on Sept. 24.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Virginia Electric & Power Co. (12/3)
March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 3.

★ **Walworth Co.**
Aug. 6 it was reported company plans to sell an issue of more than $5,000,000 convertible subordinated debentures. **Proceeds** — To finance plant expansion and increase working capital. **Underwriters** — May be Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated, both of New York.

Westcoast Transmission Co., Ltd.
July 25 it was announced company plans to issue and sell $25,000,000 of convertible subordinated debentures. **Proceeds** — For construction program. **Underwriter** — Eastman Dillon, Union Securities & Co., New York. **Offering**—Expected late in August.

Wisconsin Public Service Co.
May 29 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds and about $5,000,000 common stock. **Proceeds** — For construction program and to repay bank loans. **Underwriters** — (1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co. (2) For any common stock (first to stockholders on a 1-for-10 basis): The First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane, Robert W. Baird & Co. and William Blair & Co. (jointly). **Registration**—Of bonds in September; and of stock in August.

★ **Wisconsin Southern Gas Co., Inc.**
July 8 it was reported company plans to offer up to $300,000 of additional common stock to its stockholders. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

Who Will Toll the Midnight Bell?

***Trend Line* asks "who will toll the midnight bell" to shatter the modern versions of Cinderella's slipper and Aladdin's lamp which state modern monetary inflation is the fulfillment of the fairy tales of all ages that magically opened the coffers of wealth and affluence. After denying that our banking-credit-monetary system is an Open Sesame able to serve as an eternally flowing cornucopia, the publication then questions the belief "that modern science with its technology, its electronics, its nuclear physics, has achieved a triumphant break-through . . . and loosed the flood of all the wonderful things that modern science and industry together have created." Contends monetary system must remain incorruptible.**

The July 22 issue of "Economic Trend Line Studies" (Chicago, Illinois), discusses the delusions encompassed in modern myths, said to be widely held, which ignore the hard truths as to the limits of production and the folly of monetary inflation.

The letter of interpretation and comment, written by J. H. Kelleghan, points out that "with supreme self-assurance, not to say blissful ignorance, we Americans are accustomed to assume that our national economy is expandable at will and at an accelerating rate. We calmly ignore the inescapable fact that an industrial economy at any given moment has relatively rigid limitations. Being all of one piece, it must be expanded in toto rather than section by section. Raw materials, transportation, manufacturing processes, distribution; the economy is a complex of integrated facilities and processes, not a conglomeration of separate and independent units.

"We look at a factory and we know that the factory's output can be increased only by adding the necessary facilities in terms of plants, equipment, personnel and distributing organization. We look at the individual components of the economy almost at random and we readily accept the same conclusion.

"We know that a railroad, or a trucking company cannot increase its capacity without increasing its facilities. We know that a mine must expand its access to available mineral deposits before it can increase its total output. Yet when it comes to accepting a check on our efforts to expand our individual operations and activities, we refuse to acknowledge these elementary facts and are ready to blame our frustration on "tight money" and the cost of credit.

"Perhaps this is a heritage from our pioneer ancestors who were willing to accept only the sea-washed sands of the Pacific as a barrier to their migratory ambitions.

Ignoring Hard Truths

"At any rate, an industrial economy, like a continent, does have definite and recognizable limits. These limits, moreover, can be expanded only by adding to the whole complex of facilities and services that go into the structure of an industrial economy and determine the limits of its effective capacity.

"Blissfully ignoring these hard truths, our national government administrations for two decades persistently promulgated the myth that the expansion of the economy required only an increase in the purchasing power of the American people. Converted into terms of immediate application for poltiical purposes, this meant simply handing out more money, first to the people who needed it most, then to ever strengthening pressure groups whose demands have now become insatiable. This was expected to stimulate business, set the wheels of industry whirring faster and generally push out the limits of economic activity.

"This simple solution of the extremely complex problems associated with the expansion of individual incomes, and inferentially our industrial economy, has a universal and irresistible appeal. It is the modern version of the myth of the magical increase in worldly treasures from Aladdin's lamp. It is an eternally flowing cornucopia with a bank paying teller's window at the business end.

Preoccupation With Credit

"Sign a paper, walk to a window of a bank or loan office, pick up a check and you are dispatched on the realization of your fondest dreams. If you are the president of a corporation, you call your banker for an interview, sign a paper and start the construction of that new plant, purchase the latest equipment or buy a company that an aging management must sell.

"If you are an executive head in the Federal Government, you budget your hopes and dreams and fondly anticipate the collection of the necessary taxes from an unwilling but virtually helpless body politic.

"It is all so easy. All it requires is for banks and the monetary system to make the necessary money available. People have been taught that money is the instrument that controls everything. The relatively slow and arduous processes by which the things are produced that money buys are secondary. In fact, it would be much more in keeping with present-day attitudes if banks and loan companies decorated the fronts of their quarters with replicas of ancient and magical oriental lamps and huge black genii rather than with Grecian columns and neon signs.

"Our preoccupation with credit as the open sesame to material well-being is little short of hypnotic. We no longer measure our purchasing power in terms of dollars of actual income but in terms of how many time payments our income will cover. The credit upon which these purchases are based is considered inexhaustible. Indeed, many business men consider it a downright outrage that they have to even think of the unpleasant reality of exhausted bank credit.

"Is It Any Wonder?"

"One wonders if the people who lived in that shadowy past when the tale of Aladdin's magic first enthralled men's minds, actually believed that Aladdin's lamp was real. One searches his imagination for the reality which may have clung to Cinderella, her prince and her pumpkin carriage. One feels a sympathetic understanding for the victims of all the get-rich-quick schemes that have deluded people down through the ages. One begins to perceive that the monetary inflation of modern times is but the fulfillment of the fairy tales of all ages that magically opened the coffers of wealth and affluence. Is it any wonder that people believe that modern science with its technology, its electronics, its nuclear physics, has achieved a triumphant break-through, has smashed the walls of cold, unyielding reality, and loosed the flood of all the wonderful things that modern science and industry together have created.

"How are we to tell our people that the present monetary abundance is just a fairy tale, the modern version of all the eager, hopeful longing that has filled the human heart from the beginning of time? How are we to make them understand that our modern industrial economy harnesses human effort more completely and more relentlessly than any other economic arrangements that have ever existed? How are we to shatter their illusions and their dreams about money, and force them to see that the money for which they reach is and must remain an incorruptible system that must function with the precision and perfection of all the other scientific and mechanical processes if it is to serve adequately the economy of which it is an integral part.

"Sooner or later the lamp will vanish into thin air, the carriage will become a pumpkin again and the reality of an inelastic paycheck will subdue the ready credibility of unchanging human hearts. Who among our industrial leaders, our politicians, our presidents, will have the temerity, the courage, to toll the midnight bell?"

Wayne Jewell Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Oscar E. Fistell has been added to the staff of Wayne Jewell Company, 818 17th Street.

With Roberts & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Thomas J. Milward has become affiliated with Roberts & Co., First National Bank Building.

Mutual Funds

By ROBERT R. RICH

Wellington Fund Sets Record

During the first six months of 1957, Wellington Fund, one of the nation's largest mutual funds, increased its total resources from about $578 million to more than $629 million, a record high, it was reported by Walter L. Morgan, President.

During the same period the net asset value of each Wellington share increased from $12.99 to $13.22.

Mr. Morgan pointed out that one of the principal reasons for the continuing growth of the Wellington Fund has been its conservative Balanced Investment Program.

He emphasized that on June 30, 1957, the Fund had 64% of its resources in a diversified list of 140 common stocks in 28 different industries and the balance in a backlog of Government and good grade corporate bonds and preferred stocks. He added that the Fund increased its holding of investment grade corporate bonds and preferred stocks from 26% to 29% of resources during the past six months by acquiring new issues of these securities at attractive yields.

"Common stock investments in the oil, electric utility, electrical equipment, and drug industries were increased," Mr. Morgan stated. "The principal purchases of oil stocks were those of the international companies, which appear attractive long-term values on the basis of their extensive crude oil reserves as well as strong refining and marketing positions. Selected utility stocks were purchased for their yield or growth prospects. The increases in the drug and electrical equipment stocks were in companies having a favorable earnings trend this year and good long-term growth prospects."

Mr. Morgan also stated that "the principal common stock reductions were in industries that were expected to experience a readjustment in 1957, including the auto and building stocks. Moderate reductions were also made in the machinery and steel stocks to keep the investment in these groups in the desired proportion in relation to other industrial groups. Some container and food stocks were eliminated where earnings were not expected to keep pace with the moderate improvement in sales."

Among the Wellington Fund's new investments in common stocks during the six months ended June 30, 1957, were: Royal Dutch Petroleum Corporation; Baltimore Gas & Electric; Filtrol Corporation; Gillette Company; and Eli Lilly & Company.

Among the common stocks eliminated during this period were: Cities Service Company; Phillips Petroleum Company; Sunray Mid-Continent Oil Company; Ingersoll Rand Company; and Diamond Alkali Company.

Among the principal additions of common stocks were: Socony Mobil Oil Company; Monsanto Chemical Company; Central and South West Corporation; South Carolina Electric and Gas Company; and Buckeye Pipe Line Company.

Among the principal reductions of common stocks were: Bethlehem Steel Corporation; U. S. Steel Corporation; General Motors Corporation; Chicago Pneumatic Tool; and Shell Oil Company.

Dividend Shares Head Urges Caution Now

Total net assets of Dividend Shares, Inc., a mutual fund managed by Calvin Bullock, reached $219,027,942 on June 30, 1957, compared with $208,435,033 in the previous quarter of the year, according to Hugh Bullock, President, in a letter to shareholders accompanying the fund's 100th consecutive quarterly dividend.

The dividend consisted of 2¼ cents a share payable Aug. 1, 1957 to shareholders of record on July 10. It represents an increase of 12½% over the amount paid in the corresponding quarter of 1956. Common stock holdings of the fund amounted to 86.16% of total assets at June 30 compared with 13.84% invested in other securities. The fund is owned by more than 83,000 investors.

"For some months," Mr. Bullock said, "the economy has operated at an historically high level with areas of weakness offset by areas of strength. Under such conditions of a rather fine balance between opposing forces, there is even less than usual agreement among the best informed as to the direction of the next major move of the economy," he pointed out. "However, it would appear more difficult at present to find sources of strength for an early expansion of activity than to find factors of a moderately restrictive nature, among which is certainly the high rates which must be paid for the use of money. Considering these facts and the very high recent levels of the equities market it would seem prudent to emphasize caution in investment policy.

"Recently we have maintained and even slightly increased liquid reserves as a proportion of assets from 13.43% as of March 31 to 13.84% as of the end of June. Purchases have been in the more defensive groups whose values appear to have been overlooked in the advancing market. At the same time purchases have been made of certain stocks in more cyclical industries which seemed to be selling at attractive prices relative to long-term values."

Futures, Inc., the commodity mutual fund, reports a 24% rise during July from a bid price of $3.38 per share on June 30 to a high of $4.72 bid on July 24, closing the month at $4.53 bid.

Richard D. Donchian, President of the Fund, said the price level reached in July represented a new high for Futures, Inc. since 1950, an increase of 66.2% from the Dec. 31, 1956 bid price and a gain of 197% from the low point registered in October, 1953.

The recent rise in the shares, Mr. Donchian said, was due largely to profits resulting from short positions in No. 4 world sugar contracts, augmented by gains from long positions in wheat, soybeans and eggs.

Incorporated Assets Now $276 Million

Net assets of Incorporated Investors increased $23,248,305 during the three months ended June 30, reaching a high of $275,516,687, at the end of the quarter, according to the quarterly report. Net asset value per share increased during the quarter from $8.88 to $9.53. Purchases of Incorporated Investors shares by present and new stockholders during the 12 months period rose 80% to $28,630,000 compared with $15,960,000 in the preceding 12 months.

Stockholders are advised, in the message by Chairman William A. Parker and President Charles Devens, of the reasons why the portfolio remains fully invested in common stock.

"The increase in living costs this past year focuses attention once again on the need to protect dollar buying power. For this new rise — following three years of price stability—discloses that inflation is not, as many had thought, a temporary phenomenon having begun with World War II and run its course in the postwar years.

"On the contrary, evidence indicates that a complex of forces is likely to keep living costs rising gradually, if irregularly, over the years ahead. Chief among these is public insistence on full employment and rising standards for all our people.

"This insistence on rising living standards on the part of a relatively prosperous and rapidly growing population is the driving force behind continued long-term expansion of the American economy. Presently, business, despite tight money, is maintaining a high level of expenditures to modernize equipment for increased productivity and to add new productive capacity. The SEC reports that business expenditures in the third quarter of the year will rise to an all time high of $37.9 billion.

"As for the longer term, McGraw-Hill's tenth annual survey of Business' Plans for New Plants and Equipment reports: 'Business plans to maintain a very high level of capital expenditures during the next four years.' It adds, '. . . business also plans a great increase in research expenditure . . . by 1960, at least 10% of all manufacturing firms are planning important expenditures for the purpose of bringing out new products.'

"Because we believe that carefully selected common stocks give the individual who is willing to accept market risks the best opportunity to share in the profit potential of industrial expansion and, with this, a chance to conserve and increase the buying power of his dollars, the portfolio of Incorporated Investors remains fully invested in common stock."

Shares of the following companies were purchased during the second quarter: Husky Oil, International Business Machine, Island Creek Coal, Minnesota Mining and Mfg., North American Coal, Signal Oil and Gas, Class B.

Sales were made in Atchison, Climax Molybdenum, Filtrol, N. Y. Chicago and St. Louis, St. Lawrence Corp., Tennessee Corp.

International Investors Inc. share value (adjusted for capital gain distribution) rose 3.8% on June 30, 1957, from previous year compared to 2.1% increase in Dow-Jones Industrial Average. I. I. I. was up 8.8% since Dec. 31, 1956.

As of June 30:	1957	1956
Net assets	$246,008	$200,881
Per share value	$9.40	$9.11

Delaware Fund Steps Up Bond Holdings

A 21% increase boosted Delaware Fund's total resources to an all-time high of $51,119,171 on June 30, last, from $42,234,480 12 months earlier, according to the fund's semi-annual report.

The report also shows that the number of shareholders and shares outstanding reached record levels at the close of the 1957 mid-year. On June 30, last, 4,676,405 Delaware Fund shares were owned by 17,200 individuals and institutions, compared with 3,793,240 and 13,200, respectively, on the same date last year.

W. Linton Nelson, President, told shareholders that common stocks continued to account for the bulk of Delaware's total resources, although the equity percentage dropped to 83.31 on June 30, last, from 93.42 a year ago. The ratio between commons and fixed income securities was reduced, he explained, to take advantage of the latter's current high yields, as well as increase Delaware's maneuverability. But, he pointed out, the fund's management still regards commons as more attractive over the long-term period since "we feel they offer better growth possibilities and some protection against inflation."

Summarizing the investment shifts of the past six months, the report recalled that at year-end 15% of Delaware's resources was in bonds and preferreds. The bargains resulting from the market's first quarter decline prompted the fund to sell 60% of its fixed income securities and purchase a selected group of commons with the proceeds. Toward the end of June, the report went on, a large part of these equity purchases was sold and the money reinvested in some "attractive" bonds that had just been issued. By mid-year, the fund's fixed income percentage was restored to approximately what it had been at the close of 1956.

The report showed Delaware's resources diversified among 143 securities representing 28 industries. Oil maintained its number one position as the fund's largest single industry holding, accounting for 12.95% of total net assets on June 30. Electric utility moved up to second place with 9.92% of assets, and steel dropped back to third with 9.62%. Other large industry holdings at mid-year included: natural gas utility, 6.35%; machinery, 5.31%; bank, finance and insurance, 4.95%; electrical equipment, 4.73%; chemical, 3.99%; container, 3.15%; and metals and mining, 2.91%.

Commenting on the outlook for the remainder of the year, the report observed that many signs presently point to a better last

half and the most prosperous year in our economic history. "But," it cautioned, "selectivity in investing will be more important than ever. Mounting tensions in the money and labor markets will bring us to the point where something has to give. Consequently," the report went on, "we must be on the lookout for any sudden reversal or significant trend which could either have adverse effects or offer great opportunities. And we must be quick to act accordingly."

Group Canada Assets Gain $42 Million

Total net assets of Investors Group Canadian Fund Ltd., mutual fund affiliate managed by Investors Diversified Services, Inc., reached $150,233,128 (Canadian dollars) at the half year ending June 30, 1957, Joseph M. Fitzsimmons, Chairman of the Board and President, reported. This figure represents a six months increase of $42,566,047 or approximately 40% over the total net assets of $107,677,081 at the close of the fiscal year, Dec. 31, 1956.

"Investors Group Canadian Fund Ltd., in slightly more than 2 years since its shares were initially offered (May 2, 1955), has become the largest mutual fund investing primarily in Canadian securities in either Canada or the United States," President Fitzsimmons said in his letter to shareholders.

Net asset value per share increased in the first half of 1957 to $6.32 (U. S. dollars) compared with $5.85 at the year-end. Number of shares outstanding rose to 24,952,099 on June 30, against 19,177,199 at the close of 1956. Number of shareholders grew over the period to 57,426 compared with 45,847 on Dec. 31 last year.

Net income received by the Fund during the period amounted to $1,367,147 (Canadian). This income, in accordance with the Fund's stated policy, has not been distributed, but has been invested in additional diversified securities selected for long-term capital growth rather than a high rate of current return.

Industry groups in which the Fund held its larger investments on June 30, 1957, were as follows: petroleum and natural gas 28.69%; base metals 20.76%; pulp, paper and lumber 9.85%; public utilities 9.59%; banks 7.16%; steel 5.93%. These figures include bond and preferred stock holdings as well as common stocks. Investments in common stocks represented 94.48% of the Fund's portfolio.

Stires, Shelley Elected Chiefs Of Committee

Hardwick Stires of New York, President of Scudder Fund of Canada, Ltd., and William F. Shelley, Boston, Vice-President of Canada General Fund, Ltd., have been elected Chairman and Co-Chairman respectively of the Committee of Canadian Investment Companies, it was announced Aug. 6.

S. L. Sholley, Boston, President of the Keystone Fund of Canada, Ltd.; Armand G. Erpf, New York, President of New York Capital Fund of Canada, Ltd.; and Kenneth S. Van Strum, New York, President of Canadian International Growth Fund, Ltd., were elected Vice-Chairmen, the Committee announced.

The Committee serves as a central public information source setting forth the economic significance and benefits of managed portfolio investments by U. S. private investors in the expanding economy of Canada and other developing nations of the Free World. Officers of five of the eight Canadian portfolio investment companies, which have been formed since 1954 to enable the U. S. public to participate indirectly in long-term securities investments abroad, are represented on the newly-formed Committee.

Discovers New Use For Uranium

A mutual fund executive has discovered a new use for uranium.

William G. Damroth, Vice-President of Nucleonics, Chemistry & Electronics Shares, Inc., is using actual samples of uranium ore to attract mutual fund prospects in an imaginative new sales campaign he has launched for his dealers.

"Would you like to show your family and friends an actual sample of uranium — the start of atomic power?" the prospect is asked in a reply-card letter which focuses attention on imminent technological developments in nucleonics and electronics and the investment opportunities they may create. The letter then goes on to offer the uranium sample and information on mutual fund investments in these growth industries.

The uranium ore sample in granulated form nearly fills an approximately two-inch transparent cylinder fitted to the end of a lead pencil on which the dealer's name is imprinted. The pencil-eraser tops the cylinder and acts as a stopper so that the uranium may be easily poured from its receptacle.

Each reply-card carries the reference "A.E.C. License No. C-3569" under which the uranium distribution is authorized.

With Townsend, Dabney

(Special to The Financial Chronicle)

BOSTON, Mass. — Hilma M. Grahn has joined the staff of Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

With Paine, Webber

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich. — Thomas G. O'Neill has become affiliated with Paine, Webber, Jackson & Curtis, Peoples National Bank Building.

M. P. Giessing Adds

(Special to The Financial Chronicle)

FARMINGTON, Mo.—J. E. Victor is now with M. P. Giessing & Co., 108 North Jefferson Street.

With Lamson Bros. & Co.

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Glenn K. Woodard has become associated with Lamson Bros. & Co., Board of Trade Building. He was formerly with E. F. Hutton & Company and Francis I. du Pont & Co.

With Metro. St. Louis

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Elmer W. Schirmer is now with Metropolitan St. Louis Company, 315 North Seventh Street, members of the Midwest Stock Exchange.

Joins Taussig, Day

(Special to The Financial Chronicle)

ST. LOUIS, M. — Rodman H. Durfee is now affiliated with Taussig, Day & Co., Inc., 509 Olive Street, members of the Midwest Stock Exchange.

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Dealer-Broker Investment Recommendations & Literature

Mercast Corp.—Memorandum—Hanson & Hanson, 40 Exchange Place, New York 5, N. Y.

Morgan Engineering Company—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Northwest Production—Report—Western Securities Corp., 1 Exchange Place, Jersey City 2, N. J. Also available are reports on **Three States Natural Gas, Delhi Taylor Oil,** and **Big Piney Oil & Gas.**

Phillips Petroleum—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same bulletin are data on **Cosden Petroleum.**

Pickering Lumber Corporation—Memorandum—First Securities Co. of Chicago, 134 South La Salle Street, Chicago 3, Ill.

Pyramid Life Insurance Co.—Memorandum—Southern Investment Co., Johnston Building, Charlotte, N. C.

Raymond Concrete Pile Co. — Analysis — Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are analyses of **Foundation Company of Canada, Ltd.** and **American Commercial Barge Co.**

Stone & Webster Inc.—Analysis in current issue of "Gleanings" —Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are suggested portfolios for beginning investors.

Telecomputing Corp.—Memorandum—Lloyd Arnold & Co., 404 North Camden Drive, Beverly Hills, Calif.

Thompson Products—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Thor Power Tool Company—Report—A. C. Allyn and Company, Incorporated, 122 South La Salle Street, Chicago 3, Ill.

Transamerica Corporation—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y. Also available is an analysis of **Signal Oil & Gas Co.**

Travis County, Tex. W. C. & I. D. No. 10—Bulletin—Rauscher, Pierce & Co., Inc., Milam Building, San Antonio 5, Texas.

Ulrich Manufacturing Co.—Analysis—White & Company, Mississippi Valley Bank Building, St. Louis 1, Mo.

Ultramar Co.—Memorandum—White, Weld & Co., 20 Broad Street, New York 5, N. Y.

United Air Lines, Inc.—Analysis—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market appears to be digesting the issues offered in the recent refunding operation in a satisfactory way. The bellwether issue of the three-way offer which was made to holders of the August and October maturities is the 4% note due 1961, with the optional redemption in 1959. The favorable reception which has been given to the unique 4% note has helped the market action of most intermediate term obligations. The long-term Government bonds have also rebounded from the near-lows of the year, due to a small amount of investment buying, a scarcity of offerings and the usual amount of investment buying, a scarcity of offerings and the usual professional operations.

The better tone in the corporate bond market, attributed largely to the usual August lull in financing, has also had a not unfavorable effect upon the market action of Government securities. This breathing spell in non-Treasury financing, however, will end soon and the pressure of new money raising will again be back on the money market.

Early New Treasury Borrowing Expected

It is expected the Treasury will be in the money market in the very near future for some new money, probably in the neighborhood of $1.5 billion, with guesses around that it could take the form of March, 1958 tax-anticipation certificates. Then there should be another short breathing spell, since there are indications that additional new money will not be needed before late September or early October. The amount to be raised later in the year will probably be between $3 and $4 billion, and it is believed in some quarters this new money operation will be taken care of through the sale of June, 1958, tax anticipation certificates.

If the tenor of the money market should change, however, by late fall, and there should be some ease in the tight money market conditions, the Treasury would undoubtedly sell issues with a longer maturity. This would help the Treasury get away from the very frequent trips which they have been making to the money market in order to raise funds for current operating requirements. After new money needs are taken care of, the Treasury has only to refund the 3⅝% notes which come due on Dec. 1.

Tight Money Policy to Continue

For the present there appears to be no change in the thinking of the monetary authorities as far as the tight money program is concerned, because the inflationary pressures are still strong and the rush to do corporate, state and local government financing is showing no signs yet of a let-up. A continuation of these conditions could lead very definitely to higher interest rates, the recent rise in the prime bank rate being a significant straw in the wind. The latter move, of course, enhances the prospects for an upping of the discount rate. Such rate changes will not improve the competitive position of Government securities.

On the other hand, there appears to be some straws in the wind, as far as th economic pattern is concerned, which is leading some money market specialists to conclude that the business picture is not showing the vigorous rebound which had been expected. To be sure, it is still too early to say that the fall pick-up will not be substantial, but what does happen to business the balance of the year will be important to the money market.

Only Sharp Business Dip Will Cause Credit Ease

A continuation of the strong demand for goods and services means there will be no let-up in the need for money to finance expansions, which will keep the money market tight and the trend of interest rates up. As against this, a modest decline in business would most likely remove some of the inflation psychology from the economy, because this should tend to take some of the steam out of the wage-price spiral which has been the most important force in the thinking along inflationary lines.

Whether this would make any change in the policy of the monetary authorities is a very debatable point, because it is felt in some quarters it will take more than a minor adjustment in the economy to bring about an ease in the pressure on the money market. In other sectors of the financial district the opinions are that the powers that be, will move away from the extremely tight money conditions as soon as the business pattern shows sign of only a slight deterioration.

Optional 4% Note Attracts Non-Professionals

The 4% note with the two-year optional redemption appears to be a rather well liked obligation, with more hedge money being put to work in this issue. The fact that a considerable amount of these funds is coming (mainly) from pension funds, does not detract from the reports that savings funds are also being put into this obligation in what is being termed sizable amounts when taken as a whole. It is evident that the non-professional or not sophisticated buyer of bonds is now being attracted to the 1961-59 note.

The short-term market continues to show sizable demand in spite of the large supply of these issues which have been and will continue to come into the market. If the present trend of refunding bank-held corporate debt continues the deposit banks may in the near future have important money to put in the most liquid Treasury obligations.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 11	§81.7	*79.4	78.7	57.5
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 11	§2,092,000	*2,033,000	2,015,000	1,415,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 26	6,922,000	6,947,100	7,189,900	7,085,800
Crude runs to stills—daily average (bbls.)	July 26	¶7,763,000	7,749,000	7,915,000	7,990,000
Gasoline output (bbls.)	July 26	26,556,000	26,469,000	27,339,000	27,474,000
Kerosene output (bbls.)	July 26	1,894,000	1,717,000	1,783,000	2,200,000
Distillate fuel oil output (bbls.)	July 26	11,920,000	12,048,000	12,737,000	12,632,000
Residual fuel oil output (bbls.)	July 26	7,764,000	7,539,000	8,052,000	7,529,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 26	175,698,000	178,267,000	188,523,000	177,052,000
Kerosene (bbls.) at	July 26	30,611,000	29,627,000	28,212,000	28,883,000
Distillate fuel oil (bbls.) at	July 26	133,322,000	129,798,000	114,997,000	113,600,000
Residual fuel oil (bbls.) at	July 26	48,737,000	48,314,000	44,662,000	43,168,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 27	736,407	743,359	732,349	649,806
Revenue freight received from connections (no. of cars)	July 27	589,712	571,289	615,406	575,920
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 1	$401,045,000	$393,636,000	$483,609,000	$309,454,000
Private construction	Aug. 1	206,232,000	113,616,000	210,232,000	190,237,000
Public construction	Aug. 1	194,813,000	280,020,000	273,377,000	119,217,000
State and municipal	Aug. 1	163,732,000	233,782,000	177,365,000	110,141,000
Federal	Aug. 1	31,081,000	46,238,000	96,012,000	9,076,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 27	10,120,000	*9,940,000	9,040,000	9,090,000
Pennsylvania anthracite (tons)	July 27	569,000	437,000	690,000	581,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 27	101	101	107	97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 3	12,474,000	12,243,000	11,056,000	11,190,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 1	281	228	190	282
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 30	5.967c	5.967c	5.670c	5.179c
Pig iron (per gross ton)	July 30	$66.15	$66.15	$64.56	$61.36
Scrap steel (per gross ton)	July 30	$53.50	$53.83	$54.50	$52.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 31	28.525c	28.600c	28.825c	39.600c
Export refinery at	July 31	26.350c	26.775c	27.625c	36.250c
Lead (New York) at	July 31	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	July 31	13.800c	13.800c	13.800c	15.800c
‡Zinc (delivered) at	July 31	10.500c	10.500c	11.000c	14.000c
Zinc (East St. Louis) at	July 31	10.000c	10.000c	10.500c	13.500c
Aluminum (primary pig, 99%) at	July 31	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	July 31	95.625c	96.000c	97.250c	100.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 6	87.34	86.81	87.36	92.50
Average corporate	Aug. 6	91.19	91.62	92.50	102.96
Aaa	Aug. 6	95.32	95.47	96.07	106.56
Aa	Aug. 6	93.23	93.82	95.01	105.00
A	Aug. 6	91.62	92.06	93.67	102.63
Baa	Aug. 6	85.20	85.46	85.98	97.94
Railroad Group	Aug. 6	89.78	89.92	90.77	101.31
Public Utilities Group	Aug. 6	91.34	92.64	93.67	103.47
Industrials Group	Aug. 6	92.50	92.20	93.23	104.14
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 6	3.59	3.64	3.59	3.09
Average corporate	Aug. 6	4.33	4.30	4.24	3.57
Aaa	Aug. 6	4.05	4.04	4.00	3.36
Aa	Aug. 6	4.19	4.15	4.07	3.45
A	Aug. 6	4.30	4.27	4.16	3.59
Baa	Aug. 6	4.77	4.75	4.71	3.88
Railroad Group	Aug. 6	4.43	4.42	4.36	3.67
Public Utilities Group	Aug. 6	4.32	4.23	4.16	3.54
Industrials Group	Aug. 6	4.24	4.26	4.19	3.50
MOODY'S COMMODITY INDEX	Aug. 6	429.0	429.7	425.6	419.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 27	246,869	249,882	270,298	242,240
Production (tons)	July 27	282,617	264,778	272,591	268,101
Percentage of activity	July 27	93	87	92	94
Unfilled orders (tons) at end of period	July 27	433,554	464,699	370,740	464,529
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 2	110.16	110.27	110.18	109.01
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 13	1,863,070	1,282,590	1,955,570	1,093,180
Short sales	July 13	392,820	234,570	344,190	170,930
Other sales	July 13	1,531,980	1,008,240	1,687,310	935,580
Total sales	July 13	1,924,800	1,242,810	2,031,500	1,106,510
Other transactions initiated on the floor—					
Total purchases	July 13	394,810	218,450	430,790	261,490
Short sales	July 13	31,700	17,700	24,800	7,600
Other sales	July 13	371,000	215,360	394,930	237,690
Total sales	July 13	402,700	233,060	419,730	245,290
Other transactions initiated off the floor—					
Total purchases	July 13	644,290	480,800	611,225	434,823
Short sales	July 13	75,770	78,050	124,640	72,270
Other sales	July 13	639,970	446,009	690,795	483,103
Total sales	July 13	715,740	524,059	815,435	555,373
Total round-lot transactions for account of members—					
Total purchases	July 13	2,902,170	1,981,840	2,997,585	1,789,493
Short sales	July 13	500,290	330,320	493,630	250,800
Other sales	July 13	2,542,950	1,669,609	2,773,035	1,656,373
Total sales	July 13	3,043,240	1,999,929	3,266,665	1,907,173
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	July 13	1,679,737	1,177,427	1,499,134	1,326,164
Dollar value	July 13	$90,589,510	$61,855,993	$82,069,610	$69,678,346
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 13	1,386,929	894,184	1,284,529	1,062,866
Customers' short sales	July 13	8,180	4,169	7,924	6,389
Customers' other sales	July 13	1,378,749	890,015	1,276,605	1,056,477
Dollar value	July 13	$72,447,447	$45,994,118	$65,663,329	$53,330,636
Round-lot sales by dealers—					
Number of shares—Total sales	July 13	329,050	194,240	341,980	255,380
Short sales	July 13	------	------	------	------
Other sales	July 13	329,050	194,240	341,980	255,380
Round-lot purchases by dealers—					
Number of shares	July 13	643,180	576,370	547,810	509,960
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	July 13	563,020	403,490	564,120	317,300
Other sales	July 13	13,316,810	9,260,960	13,337,630	7,869,010
Total sales	July 13	13,879,830	9,664,450	13,901,750	8,186,310
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 30	117.9	118.0	117.4	114.2
Farm products	July 30	92.8	93.4	90.4	90.5
Processed foods	July 30	106.1	106.6	105.7	102.9
Meats	July 30	96.3	97.5	93.1	83.7
All commodities other than farm and foods	July 30	125.5	125.5	125.4	121.5

*Revised figure. ¶Includes 1,139,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of May:			
Total gas sales (M therms)	5,753,500	6,961,100	5,663,600
Natural gas sales (M therms)	5,592,700	6,739,400	5,361,300
Manufactured gas sales (M therms)	15,600	22,500	24,900
Mixed gas sales (M therms)	145,200	199,200	277,400
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	9,394,000	*9,792,323	9,720,997
Shipments of steel products (net tons)—Month of May	6,972,091	7,349,752	7,764,776
AMERICAN RAILWAY CAR INSTITUTE—Month of June:			
Orders for new freight cars	4,918	3,423	2,859
New freight cars delivered	8,377	8,824	5,550
Backlog of cars on order and undelivered (end of month)	91,810	97,006	129,409
AMERICAN ZINC INSTITUTE, INC.—Month of June:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	90,719	96,855	78,321
Shipments (tons of 2,000 pounds)	69,957	*89,693	68,672
Stocks at end of period (tons)	133,455	*112,693	69,226
Unfilled orders at end of period (tons)	28,822	31,539	45,921
ASSOCIATION OF AMERICAN RAILROADS—Month of June:			
Locomotive units installed in service	125	119	124
New locomotive units on order (end of month)	462	582	796
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of June (in millions):			
Total new construction	$4,354	$4,033	$4,288
Private construction	3,012	2,808	3,030
Residential buildings (nonfarm)	1,534	1,410	1,654
New dwelling units	1,105	1,000	1,235
Additions and alterations	389	373	379
Nonhousekeeping	40	37	40
Nonresidential buildings	786	747	761
Industrial	270	270	264
Commercial	309	287	324
Office buildings and warehouses	153	146	140
Stores, restaurants, and garages	156	141	184
Other nonresidential buildings	207	190	173
Religious	73	68	62
Educational	43	40	46
Hospital and institutional	43	40	25
Social and recreational	26	24	23
Miscellaneous	22	18	17
Farm construction	156	140	156
Public utilities	517	493	448
Railroad	40	38	35
Telephone and telegraph	96	101	93
Other public utilities	381	354	320
All other private	19	18	11
Public construction	1,342	1,225	1,258
Residential buildings	41	37	24
Nonresidential buildings	399	389	358
Industrial	43	43	38
Educational	249	238	221
Hospital and institutional	31	33	25
Administrative and service	38	38	32
Other nonresidential buildings	38	37	42
Military facilities	115	100	135
Highways	530	455	501
Sewer and water systems	120	117	115
Sewer	66	64	63
Water	54	53	52
Public service enterprises	38	35	37
Conservation and development	86	79	79
All other public	13	13	9
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	6,637,378	*6,436,273	6,726,578
Oven coke (net tons)	6,453,843	6,221,182	6,467,080
Beehive coke (net tons)	183,535	*215,091	259,498
Oven coke stock at end of month (net tons)	2,260,353	2,153,940	1,688,408
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of April (000's omitted)	45,671,071	46,167,336	43,179,449
Revenue from ultimate customers—month of April	$751,690,000	$762,232,000	$702,697,000
Number of ultimate customers at April 30	54,291,919	54,202,840	52,327,137
METAL PRICES (E. & M. J. QUOTATIONS)—June:			
Copper—			
Domestic refinery (per pound)	30.334c	31.286c	45.056c
Export refinery (per pound)	28.410c	29.448c	40.260c
††London, prompt (per long ton)	£227.132	£237.870	Not avail.
††Three months, London (per long ton)	£228.809	£238.060	Not avail.
Lead—			
Common, New York (per pound)	14.320c	15.385c	16.000c
Common, East St. Louis (per pound)	14.120c	15.185c	15.800c
††Prompt, London (per long ton)	£91.688	£99.462	£113.226
††Three months, London (per long ton)	£91.987	£99.804	£111.071
Zinc (per pound)—East St. Louis	11.360c	11.923c	13.500c
§§Zinc, Prime Western, delivered (per pound)	10.860c	12.423c	14.000c
††Zinc, London, prompt (per long ton)	£74.303	£85.777	£94.006
††Zinc, London, three months (per long ton)	£73.868	£82.413	£92.387
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.456c	91.307c	90.464c
Silver, London (per ounce)	78.283d	79.223d	78.625d
Sterling Exchange (check)	$2.79024	$2.79096	$2.80217
Tin, New York Straits	98.060c	98.409c	94.635c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$255.000	$225.000	$258.115
¶Antimony, New York boxed	36.590c	36.590c	36.470c
Antimony (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$92.000	$92.000	$105.000
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	25.900c
Aluminum, 99% grade primary pig	25.000c	25.000c	Not avail.
Magnesium ingot (per pound)	35.250c	35.250c	33.750c
**Nickel	74.000c	74.000c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
PORTLAND CEMENT (BUREAU OF MINES)—Month of April:			
Production (barrels)	23,967,000	22,642,000	26,134,000
Shipments from mills (barrels)	23,125,000	20,551,000	27,087,000
Stocks (at end of month—barrels)	34,893,000	*34,277,000	28,679,000
Capacity used (per cent)	83	76	100
ZINC OXIDE (BUREAU OF MINES)—Month of May:			
Production (short tons)	15,611	14,747	10,225
Shipments (short tons)	15,016	15,914	13,166
Stocks at end of month (short tons)	29,305	28,710	23,705

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange

Our Reporter's Report

Ever since Tuesday afternoon the eyes of the financial community and particularly that segment which makes a business of distributing fixed-term securities, have been turning toward today's (Aug. 8) meeting of the Federal Reserve Bank here.

It is true that the hardening of money rates generally had already brought about a situation where the other rates were out of line with the Federal Reserve rediscount rate. Or perhaps it could have been put the other way—the FR rate was out of line with the general situation.

If that was true before, the latest markup in the charge made by banks to their prime customers—it is now 4.5%—and in other segments of the money market, has created a situation where it would appear that the Central Banks no longer can afford to lag so far behind the parade.

Accordingly, if the Central Banks should put up their discount rates, starting with New York today, the action would be little more than a formality recognizing what already has taken place in other parts of the market.

But, with the market approaching the start of the fall season when a rising trend in business borrowings is normal, the rank and file naturally will be more inclined to watch for signs of what effect the latest hardening in money rates may have on industrial borrowers.

Fortunately, the current shifting in rates comes at a time when things are relatively slow insofar as corporate new issues are concerned. The situation will have had a chance to "jell" as the fall season opens up.

All Spoken For

General Motors Acceptance Corp.'s huge offering of $100 million of 20-year, 5% debentures, priced at 97½ to yield around 5.20% apparently proved an attractive piece of merchandise for most institutional buyers.

At any rate there was a decidedly brisk demand for the debentures which evidently had been building up since the plans for the issue were first announced.

Dealers reported virtually the entire offering spoken for in advance of the formal offering. And presumably there were very few cases where people changed their minds in the wake of the boost in the banks' rate to prime borrowers.

Another Quiet Week

The new issue market will get a week of comparative quiet in which to study the latest turn in money rates, judging from a look at the forward calendar.

Tuesday will bring $18 million of bonds of Northern States Power Co., up for sale by competitive bidding and on the same day another offering, this for an industrial company, will be made, first to stockholders.

Thompson Products, Inc., shareholders of Aug. 12, will have the right to subscribe for $19,729,500 of subordinated debentures, convertible into common stock through Aug. 1, 1967, in the ratio of $100 par amount for each 14 shares of stock held. Rights expire Aug. 27.

Market Reaction

The reaction marketwise to the newest hardening in money rates was rather mild, although it must be remembered that "one swallow doesn't make a summer."

But the immediate response in the Treasuury list was for the long-terms to back off about ¼ point and then to recovery half the dip. It might be expected, however, that the rate on the weekly bill rollover will be a bit more reflective.

In the corporate market interest continued at a low ebb generally, with some shading of recent bids. But there was no tendency toward liquidation of any consequence.

Crowell Weedon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lawrence Compton has been added to the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange. He was formerly with First California Company.

With W. G. Nielsen

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif. — Lynn D. Wise is now with W. G. Nielsen Co., 362 East Olive Avenue.

With J. A. Overton Co.

(Special to THE FINANCIAL CHRONICLE)

CORONADO, Calif. — Raymond M. Kroger is now with J. A. Overton & Co., 1134 Orange Avenue.

Two With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Kenneth N. Moore and Albert G. Pekarr are now affiliated with J. A. Hogle & Co., 507 West Sixth St.

DIVIDEND NOTICES

AMERICAN CAN COMPANY

PREFERRED STOCK

On July 30, 1957 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable October 1, 1957 to stockholders of record at the close of business September 12, 1957. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

ACF INDUSTRIES, INCORPORATED

Common Dividend No. 151

A dividend of $1.00 per share on the common stock of this Corporation has been declared payable September 16, 1957, to stockholders of record at close of business August 30, 1957.

C. ALLAN FEE,
Vice President and Secretary

August 1, 1957

DIVIDEND NOTICES

BROWN COMPANY
BERLIN, N. H.

DIVERSIFIED FOREST PRODUCTS
Nibroc Towels, Bermico Pipe
Engineered Pulps and Papers
Veneer, Plywood, Lumber
Onco Innersoles for Shoes
Chemicals

A regular quarterly dividend of 25¢ per share on the Common Stock of this Company has been declared payable September 1, 1957, to stockholders of record at the close of business August 9, 1957.

S. W. SKOWBO
Senior Vice President and Treasurer

Atlas Corporation
33 Pine Street, New York 5, N. Y.

Dividends declared on 5% Cum. Preferred Stock and Common Stock

- **Preferred Dividend No. 5**
  Regular quarterly of 25¢ per share
  Payable September 16, 1957
  Record date August 30, 1957
- **Common Dividend No. 63**
  Regular quarterly of 15¢ per share
  Payable September 20, 1957
  Record date August 30, 1957

WALTER A. PETERSON,
Treasurer

August 7, 1957

DIVIDEND NOTICES

MIAMI COPPER COMPANY
61 Broadway, New York 6, N. Y.

July 24, 1957

A quarterly dividend of fifty (50c) cents per share was declared, payable September 26, 1957, to stockholders of record at the close of business September 11, 1957.

JOHN G. GREENBURGH,
Treasurer.

THE DAYTON POWER AND LIGHT COMPANY
DAYTON, OHIO

140th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 60c per share on the Common Stock of the Company, payable on September 3, 1957 to stockholders of record at the close of business on August 15, 1957.

GEORGE SELLERS, Secretary

August 2, 1957

FLINTKOTE PROTECTION

THE FLINTKOTE COMPANY
New York 20, N. Y.

QUARTERLY DIVIDENDS
have been declared as follows:

Common Stock*
sixty cents ($.60) per share

$4 Cumulative Preferred Stock
one dollar ($1) per share

Both dividends are payable September 16, 1957 to stockholders of record at the close of business August 30, 1957.

WILLIAM FEICK, JR., *Treasurer*

August 7, 1957.

*116th consecutive dividend

DIVIDEND NOTICES

STANDARD OIL COMPANY
(INCORPORATED IN NEW JERSEY)

The Board of Directors has declared a **Cash Dividend** on the capital stock of 55 cents per share on August 1, 1957. This dividend is payable on September 10, 1957, to stockholders of record at the close of business on August 12, 1957.

30 Rockefeller Plaza, New York 20, N. Y.

COSDEN petroleum corporation

DIVIDEND NOTICE

The Board of Directors has declared a regular quarterly dividend of 25¢ per share on the common stock of this Company, payable September 30, 1957, to stockholders of record at the close of business September 13, 1957.

R. L. TOLLETT,
President
Big Spring, Texas

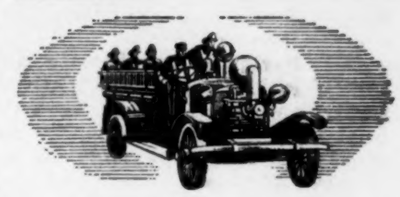
DIVIDEND NOTICES

PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

A regular quarterly dividend of 60 cents per share on the common stock ($10 par value), payable Sept. 3, 1957, to stockholders of record Aug. 15, 1957, was declared by the Board of Directors on July 31, 1957.

B. C. REYNOLDS, *Secretary*



NATIONAL UNION FIRE INSURANCE COMPANY
OF PITTSBURGH, PA.

143rd DIVIDEND DECLARATION

The Board of Directors of this company today declared a cash dividend of Fifty Cents (50¢) a share on the capital stock. This cash dividend will be paid September 25, 1957 to stockholders of record at the close of business September 4, 1957.

A K Hatfield
Treasurer

August 6, 1957

TENNESSEE GAS TRANSMISSION COMPANY
AMERICA'S LEADING TRANSPORTER OF NATURAL GAS
HOUSTON, TEXAS

DIVIDEND NO. 40

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable September 16, 1957 to stockholders of record on August 23, 1957.

J. E. IVINS, Secretary

Common and Preferred **Dividend Notice**

July 31, 1957

The Board of Directors of the Company has declared the following quarterly dividends, all payable on September 1, 1957, to stockholders of record at close of business, August 13, 1957:

Security	*Amount per Share*
Preferred Stock, 5.50% First Preferred Series	$1.37½
Preferred Stock, 5.85% Series	$1.46¼
Preferred Stock, 5.00% Series	$1.25
Preferred Stock, 4.75% Convertible Series	$1.18¾
Preferred Stock, 4.50% Convertible Series	$1.12½
Preferred Stock, 5.75% Subordinate Convertible Series	$1.43¾
Common Stock	$0.35

Secretary

TEXAS EASTERN *Transmission Corporation*
SHREVEPORT, LOUISIANA

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company has declared a quarterly dividend of sixty cents ($.60) per share on its Common stock, payable September 9, 1957, to stockholders of record at the close of business August 16, 1957.

ERLE G. CHRISTIAN, *Secretary*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—While the Joint Atomic Energy Committee of Congress was pushing a bill that would authorize almost $400 million for construction and procurement by the Atomic Energy Commission, the Tennessee Valley Authority has some of its top representatives stirring in Washington.

At the same time private power companies have not been asleep at the switch. They have been trying to overturn some of the gains TVA has made in a proposed great expansion program. Among other things TVA is seeking authority to sell revenue bonds not to exceed $750 million at any one time. The funds would be devoted to power expansion for the growing section it serves.

Although the Senate and House Public Works Committees have approved separate TVA authorization proposals, it appears unlikely in the closing weeks of the current session that either the House or Senate will vote on their respective measures. Therefore, they will be alive when Congress reconvenes in January for the second session of the 85th Congress.

Subsidized Rates

TVA, a Federal corporation, has spent more than $1.5 billion of government money. It sells electricity for about half the rate that the private power companies have to charge for their energy. It is paying back to the Federal Treasury several million dollars each year. However, some members of Congress and private power companies maintain that TVA should raise rates and pay more back each year.

Talking with members of Congress from the state his company serves, a power company official said that a legal scrutiny of some of the provisions in the House bill were "utterly fantastics." The official said TVA would have authority to swallow up additional territories of private companies.

"We are not trying to drive TVA out of business," said the official, "but we think they should be restricted to the territory it now holds and no more. We also think they should charge rates that are more in line with the private companies, so that they could pay back some of the hundreds of millions of dollars of taxpayers' money."

In Prosperous Area

The Tennessee River Valley is a scenic prosperous section of the country. It is growing. Several million people live within an hour's drive of the blue 652-mile long stream. The Tennessee begins four miles Northeast of Knoxville and has its confluence with the Ohio River at Paducah, Ky. The more than 30 dams and reservoirs on the Tennessee and tributaries have not only brought cheap electricity to the valley area, but it has transformed the region into beautiful recreational areas including fishing, boating and hunting.

Thousands of farmers who used to milk their cows by lantern light, now have lighted barns and milk houses equipped with electric milking machines electric water pumps, deep freezers, washing machines, electric ironers. Many thousands of people each year are installing air conditioning.

Some experts believe that 10 years from now people not only in the Tennessee Valley, but all over the nation will be using a great deal more electricity for appliances now in use and those that will be coming into use in the future.

Fear Government May "Underwrite" Bonds

TVA today is the sole supplier of power for 80,000 square miles where more than 5,000,000 people live. The river's watershed lies in Tennessee, Virginia, North Carolina, Georgia, Alabama, Mississippi and Kentucky. The customers served by TVA are for the most part powerful supporters of the Government corporation because it sells cheap electricity. Congressmen in some of the areas served, who would vote against a TVA bill would be in political trouble in a hurry.

Although the pending bills would provide that the bonds would not be obligations of the United States, some critics maintain that the Government would be morally obligated to pay them off if they were defaulted. The House committee-aproved bill would place no limit on the amount of revenue bonds issued in any one year or on the total of such bonds outstanding. Some legal authorities contend that funds raised under the House bill could be used to build power facilities and installations without Congressional approval.

By terms of the present law TVA is required to repay to the Treasury the money appropriated by Congress for electric power purposes over a 40-year-period from the date each project to completed. Under terms of the pending proposals, the statutory requirements for repayment would be repealed. Critics say that a study of the provisions show that TVA would only have to pay to the United States treasury excess proceeds. Therefore, those who buy TVA power would not necessarily have to pay rates high enough to repay the money it owes the Federal Government.

A Must for "Europeans"

Many students of government regard the whole TVA as one great socialistic scheme. Many Europeans in all walks of life in their tours of the United States make the Tennessee Valley Authority a "must" on their agenda during their American tour.

There is a growing shipping movement on the river by barges. A nine-foot channel exists along the 652-mile route to form an important link in the Nation's inland waterway system.

In 1933 when Congress created the corporation, a series of things were blue-printed for the agency. These included control of flood waters, maintenance of a nine-foot channel, generation and sale of low cost electricity, peacetime development and manufacture of fertilizer, and wartime manufacturing of chemicals for munitions. Subsequently, Congress amended the act authorizing TVA to build dams, power houses, reservoirs and transmission lines.

At this time it would seem that Congress is not ready to expand TVA. Next year might be different. A legislative body, be it the United States Congress or a State Legislature, is unusually unpredictable.

Atomic Energy Expansion

Under the Point Atomic Energy Committee approved bills, the Atomic Energy Commission would be authorized to spend $259,230,000 on construction of military and peacetime atomic projects.

The whole power industry is interested in the $129,915,000 earmarked for government research aid in the building of atomic power plants. About $100,000,000 of the amount would be earmarked for five power plants that would be managed by cooperatives or municipal power companies in Michigan, Ohio, Minnesota, Nebraska and Alaska.

Nuclear Merchant Ships

Several hundred people representing all the big shipping companies in the Nation, plus engineers and some of the largest corporations in the country attended a most important industry meeting in Washington a few days ago. They heard progress reports from indudstry and government on what is being done in the way of atomic power for the merchant ships.

Chairman Morse of the Maritime Administration disclosed that contracts will be let this fall and the keel laid next spring for the first nuclear-powered merchant ship in history. He said after research in the United States it is the hope that the ship will be sailing the seven seas in 1960.

The Nautilus became the first submarine to be nuclear powered and traveled 60,000 miles without being refueled. Engineers expressed confidence at the Washington meeting that merchant shipping can be successfully nuclear-powered.

Praise for Lyndon Johnson

Senate Majority Leader Lyndon B. Johnson of Texas was commended by Northern and Southern Democratic colleagues alike by the manner he has handled the bitter civil rights fight. As a result of his quarter-backing, with the aid of Georgia's able Senator Richard B. Russell, some Democrats were spreading the word that "he is our candidate for the Democratic presidential nomination next time."

The next convention perhaps is three years away. A lot can and will happen before then. However, at the moment, Johnson, if his health holds up with no recurrence of a heart ailment, could be a powerful candidate for the nomination. He was for the controversial jury trial amendment and he was for the Senate version of the bill as it headed for a vote on final passage.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"And this is a special model for guys who need a reminder on when to sell!"

Business Man's Bookshelf

Aluminum Industry — Costs and Prices — Aluminum Economic Report, Reynolds Metals Company, 17 E. 47th Street, New York 17, N. Y.

Cell Examination — New Hope in Cancer — Charles S. Cameron, M. D. — Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.—paper—25¢.

Italian Affairs — Report on the Administration of Somaliland; 1956 Economic Survey; Labour and Social Welfare Legislation; Cultural Courses for Foreigners—Presidency of the Council of Ministers of the Italian Republic, Rome Italy — 15c per copy; $1 per year.

Management of Direct Investments in Less Developed Countries—Report submitted to The International Bank for Reconstruction and Development by The Foundation for Economic Research of the University of Amsterdam — H. E. Stenfert Kroese N. V., 38 Pieterskerkhof, Leiden, Holland — (Cloth) — f16,50.

Montgomery's Auditing, Eighth Edition — Norman J. Lenhart and Philip L. Defliese — The Ronald Press Company, 15 East 26th Street, New York 10, N. Y. —cloth—$10.

Packaging and Materials Handling, 1941-1957 — Catalog of 118 technical reports—OTS, U. S. Department of Commerce, Washington 25, D. C.—10¢.

Public Relations Register—Public Relations Society of America, Inc., 2 West 46th Street, New York 36, N. Y.—$25.

Statistical Bases of Concentration Ratios—Economic Research Department, Chamber of Commerce of the United States, Washington 6, D. C. — paper — 50¢ (quantity prices on request).

Studies of the Russian Institute Columbia University and Related Books — Catalogue — Columbia University Press, 2960 Broadway, New York 27, N. Y. —(Paper).

Sunday Newspaper Circulation and Rate Trends — Association on National Advertisers, Inc., 155 East 44th Street, New York 17, N. Y.—$10.

Tax Fraud: What the Practitioner Needs to Know to Protect His Client—The Journal of Taxation, Inc., 147 East 50th Street, New York 22, N. Y.— paper—$2.

United States Savings & Loan League Mid Year Report by 1957 Committee on Trends and Economic Policies—United Savings and Loan League, 221 North La Salle Street, Chicago 1, Ill.—(Paper).